

2025 Accident & Health

# Market Report



**At QBE, we get to the heart  
of what's at risk.**

Exploring topics like:

- Key medical stop loss claims trends
- Explosive growth in the specialty pharmacy market
- Factors hindering a healthier society



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## Welcome



**Tara Krauss**

President of Accident & Health  
QBE North America

With the ever-changing economic landscape, understanding and managing healthcare risks has become increasingly crucial for businesses. I'm pleased to share QBE's 2025 Accident & Health Market Report, which offers insights on current trends affecting self-funded healthcare plans.

This year has seen substantial developments – new administration policies, tariffs impacting drug and medical supply costs and rising rates of cancer and cardiovascular diseases. Our report delves into these pressing issues, examining what could be driving the most concerning claims.

We examine significant trends influencing excess loss claims, focusing on the persistent occurrence of neoplasms and circulatory diseases. Moreover, we address other important issues, such as the concerning rise in claims surpassing \$1M and the growth in organ transplant claims. Additionally, we take a fresh look at central themes addressed in our 2024 report, namely record-breaking gene therapy approvals, the explosive growth in the specialty drug market and emerging legislative challenges for self-insured plans.

In this complex healthcare environment, medical stop loss insurance remains a vital tool for cost stabilization. As estimated in McKinsey's "What to expect in U.S. healthcare in 2025 and beyond" report, the shift from fully insured to self-funded plans could accelerate as employers look to cut costs in the face of rising premiums. Furthermore, they anticipate fully insured enrollment could drop from 53M in 2023 to 49M in 2028, while self-funded enrollment could climb from 110M to 114M during that same time period.<sup>1</sup>

Looking ahead, as hospitals work to recover from the revenue loss providers took during the pandemic and ongoing transformation efforts, they are likely to seek higher reimbursement rates of 200-250 basis points during contract renewal negotiations. This further highlights the growing need for cost containment controls within the employer sponsored health plan.<sup>1</sup>

We encourage employers to leverage our industry-leading claims, risk management and cost containment expertise to proactively mitigate financial risks and protect their business and employees.

**Because at QBE, we get to the heart of what's at risk.**

I hope this report will serve as a valuable tool in supporting your clients or company toward successful healthcare financing and enhancing employee well-being.

*Tara Krauss*

1. <https://www.mckinsey.com/industries/healthcare/our-insights/what-to-expect-in-us-healthcare-in-2025-and-beyond>



## Executive summary

QBE's 2025 Accident & Health Market Report reviews the key issues and trends impacting the medical insurance industry through the lens of risk management.

**Product offerings and market highlights:** The market has seen increased interest in group **medical stop loss captives as a risk financing mechanism** with the potential to produce stability and efficiency for policyholders and service providers. A five-year analysis of the five largest fronted-group captive programs backed by QBE reveals favorable results.

In 2024, we proudly expanded our stop loss coverage offerings to specialized groups of Taft-Hartley, multi-employer, and union customers.

We observed increased frequency and severity across solid organ and stem cell/bone marrow transplants and expect trends to continue as organ demand continues to outpace supply. A fully insured organ transplant carve-out policy is an effective hedge for self-funded employers.

**Circulatory and cancer diagnoses:** The prevalence of circulatory and cancer diseases is increasing; with healthcare costs related to such conditions expected to rise steeply. The **frequency of circulatory claims has risen almost 60% post-COVID<sup>1</sup> and neoplasms continue to be the predominant excess loss claim across all deductible levels**, increasing by 15% in 2024 for all effective groups in QBE's portfolio.

**Preterm infants:** The preterm birth rate remained at 10.4% in 2024, with preterm births accounting for 13.1% of claims over \$1M. However, **claims related to preterm birth increasingly reach or exceed the \$2M mark** driven by hospital expenses for conditions such as congenital anomalies.

**Specialty pharmacy market:** The specialty drug market, including biologics, gene therapies, and cancer treatments, saw **rapid growth of new drugs approved in 2024** with the market expected to reach \$966B by 2030.<sup>2</sup> The global spend on cancer drugs alone is expected to reach \$370B by 2027<sup>3</sup>. We share strategies to effectively manage the rise in specialty pharmaceutical costs. Overall, patient affordability, cost containment and transparency will remain key themes.<sup>4</sup>

**Cell and gene therapy approvals:** 2024 was a record year, with **seven new therapies approved**, including advanced treatments for autoimmune diseases and rare genetic conditions. There are now over 20 conditions with FDA-approved cell and gene therapies in more than eight distinct disease categories.<sup>2</sup> Incidence of gene therapy claims on QBE's book of business have remained low from 2022–2024 with just three gene therapy claims incurred to date on nearly 2M covered lives.

**Poor societal health leads to increased claims:** An increasing dependence on expensive medications, excessive use of antibiotics, and the prevalent intake of processed foods has led to a rise in obesity and chronic disease rates, significantly exacerbating public health threats in the U.S. Legislative changes show an evolving regulatory landscape aimed at addressing some of these compelling trends. **As an insurer, we feel it's our responsibility to highlight the environmental and lifestyle risk factors that contribute to the chronic diseases which significantly increase excess claims of the health plan.**

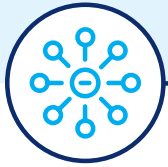
1. <https://www.nih.gov/news-events/news-releases/first-wave-covid-19-increased-risk-heart-attack-stroke-three-years-later#:~:text=The%20findings%2C%20among%20people%20with,people%20infected%20in%20the%20first>

2. <https://www.linkedin.com/pulse/evolution-specialty-drug-commercialization-2024-year-review-priolo-ti4ye/>

3. "Global Use of Medicines 2023 – Outlook through 2027 from the IQVIA Institute for Human Data Science." ("IQVIA Institute issues annual report on Global Use of Medicines 2023 - CDR"): <https://www.iqvia.com/insights/the-iqvia-institute/reports-and-publications/reports/the-global-use-of-medicines-2023>

4. <https://www.mckinsey.com/industries/healthcare/our-insights/what-to-expect-in-us-healthcare-in-2025-and-beyond>





## Product offerings & market highlights:

### Medical stop loss captives provide great value for all stakeholders.

QBE began underwriting captive insurance risk in 2004 to provide an alternative risk management tool for progressive employee benefit risk managers in the market. Today, over 20 years later, we have seen an increased demand for employee benefit captives as a primary solution. Generally, these programs have focused on small to middle market policyholders who share a common industry or risk management philosophy.

Advisors, third-party administrators and risk managers have recognized the value. QBE has seen an increased interest in a stop loss strategy in which a group captive is created to produce stability and efficiency for the policyholder and their service providers.

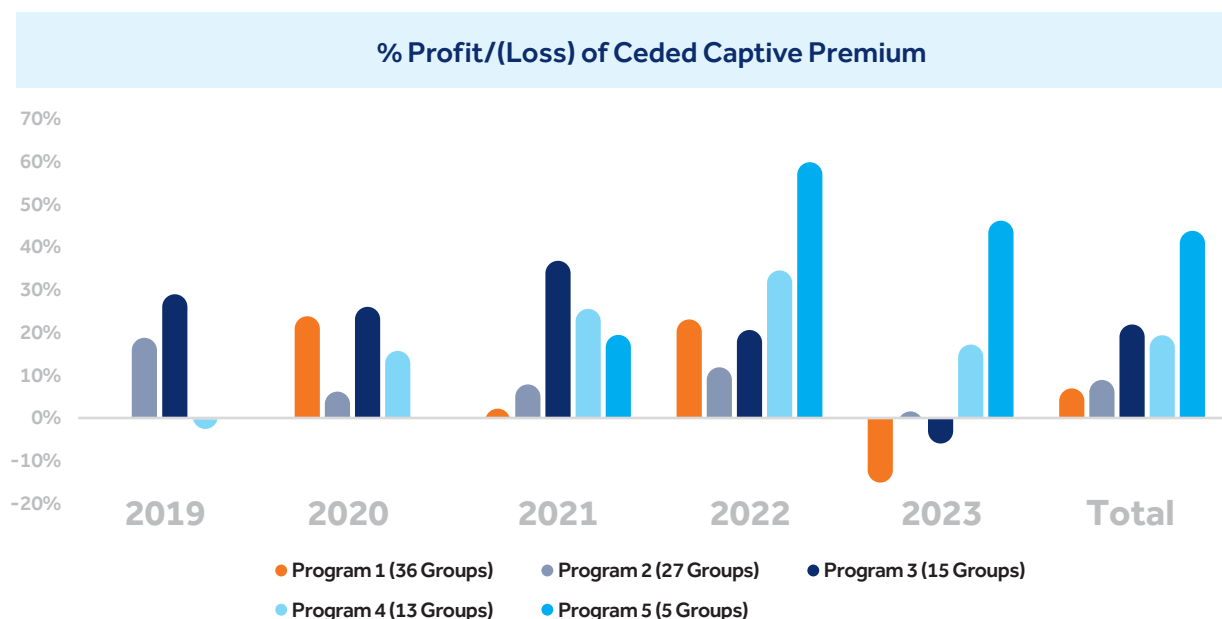
We have recognized the success of this segment of alternative risk financing.

This has outpaced general stop loss trends, and we believe that the economic incentive of returned underwriting surplus promotes elevated risk management standards. The opportunity to develop underwriting surplus in a group captive is one of the most common reasons these programs exist.

A five-year study of the five largest fronted group captive programs we support, shows very positive results, visible in the chart below. In total, each program has produced a net profit.

QBE designed [The QBE Captive Curve](#), to support the demand for group captive programs in the medical stop loss insurance arena. [Agora](#), QBE's sponsored heterogeneous group captive program, allows professionals to maximize value for stakeholders through transparency and having control over their insurance costs. Captives allow organizations to pool their risks and insurance needs, and when designed well, they can provide significant advantages over traditional insurance markets.

From 2021-2023, we tracked a 3-year trend of 7% on fronted gross written stop loss premium using a captive insurance risk vehicle.



## Taft-Hartley: Expanding our capabilities

### Union members and healthcare

Labor unions have paved the way to middle class for many workers in the U.S. Beyond championing pensions, higher wages, and professional development, excellent health benefits have also been a cornerstone of union achievements, ensuring that workers have access to quality healthcare.

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**95% of union members have access to healthcare, as opposed to 68% of non-union workers.<sup>1</sup>**

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Additionally, union health plan participants are 6.9% more likely to have a regular provider for medical care.<sup>2</sup> Even with the advantages of high-quality health benefits included in their membership, the Taft-Hartley Trust Funds that union members participate in have the same cost management concerns as traditional employer plans. Large claim costs are increasing at a rapid rate due to the rise of chronic disease and new treatments. To reduce claims exposure, Trusts consider cost containment vendors,

review plan provisions and provide better access to onsite/nearsite clinics for both primary care and chronic disease management.

### The growing need for medical stop loss coverage

Historically, Taft-Hartley Trusts were able to manage health plan costs with annual deductibles and lifetime limits. However, when the Affordable Care Act was signed into law in 2010, it mandated that plans remove lifetime limits. Some Trust Funds purchased stop loss coverage to manage costs and protect plan assets. Alternatively, many Trusts felt that due to their large populations and well-funded reserves, they did not need to purchase additional insurance. **Today, as the cost of large claims continues to escalate, plans that were once slow to consider medical stop loss coverage have begun adding protection.**

Recognizing this growing need, QBE expanded its offerings to provide **coverage** for the specialized groups of Taft-Hartley, multi-employer and union customers. As an experienced insurance provider meeting the needs of customers with solid, financial protection for decades, we are uniquely positioned to apply our expertise and resources to this important market segment.

1. <https://apwu.org/news/magazine-labor-solidarity-labor-education/new-report-proves-how-unions-raise-bar-all-workers>

2. [The union advantage: union membership, access to care, and the Affordable Care Act | International Journal of Health Economics and Management](#)

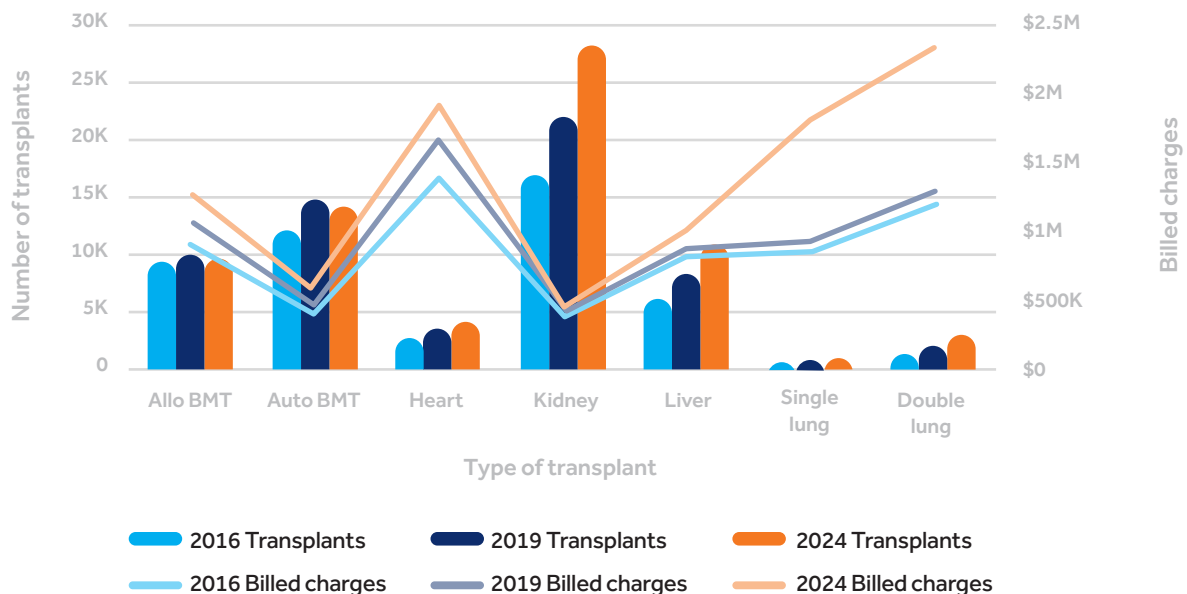


## Controlling health plan volatility with organ transplant coverage

With the 14<sup>th</sup> consecutive record-breaking year for solid organ transplant procedures nationwide from deceased donors <sup>1</sup>, QBE continues to see an increase in the overall cost for transplants. We can expect these record-breaking trends to continue, given increasing demand for organs that outpaces the supply, new legislation like the Increasing Organ Transplant Access (IOTA) Model <sup>2</sup> and advancements in science, including techniques, algorithms, procurement, and treatment of damaged organs.

The chart below based on data from Milliman illustrates the rising costs and increasing frequency of the most common types of transplants. This chart underscores the necessity for self-funded groups to insulate themselves from such risks without concern of lasering. QBE's fully insured [organ transplant carve-out policy](#) effectively addresses this growing need.

Transplant cost and counts (2016, 2019 & 2024)



Milliman's U.S. Organ and Tissue Transplant Reports<sup>345</sup>

1. <https://unos.org/data/>

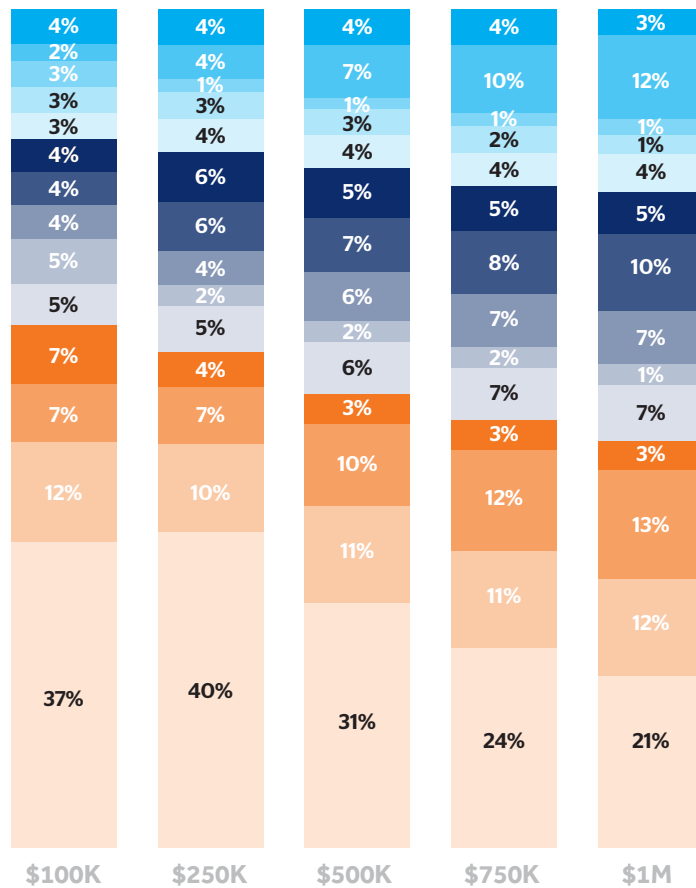
2. <https://www.cms.gov/priorities/innovation/innovation-models/iota>

3. <https://www.milliman.com/en/insight/2025-us-organ-and-tissue-transplants-costs-utilization>

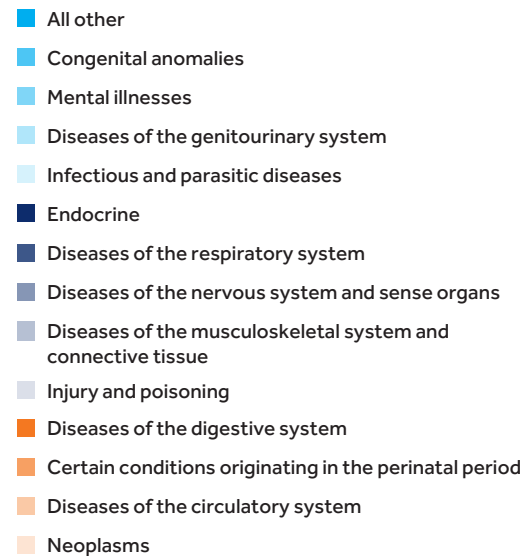
4. <https://www.milliman.com/en/insight/2020-us-organ-and-tissue-transplants>

5. <https://www.milliman.com/en/insight/2017-us-organ-and-tissue-transplant-cost-estimates-and-discussion>





### Stop loss claim reimbursements by primary diagnosis and deductible

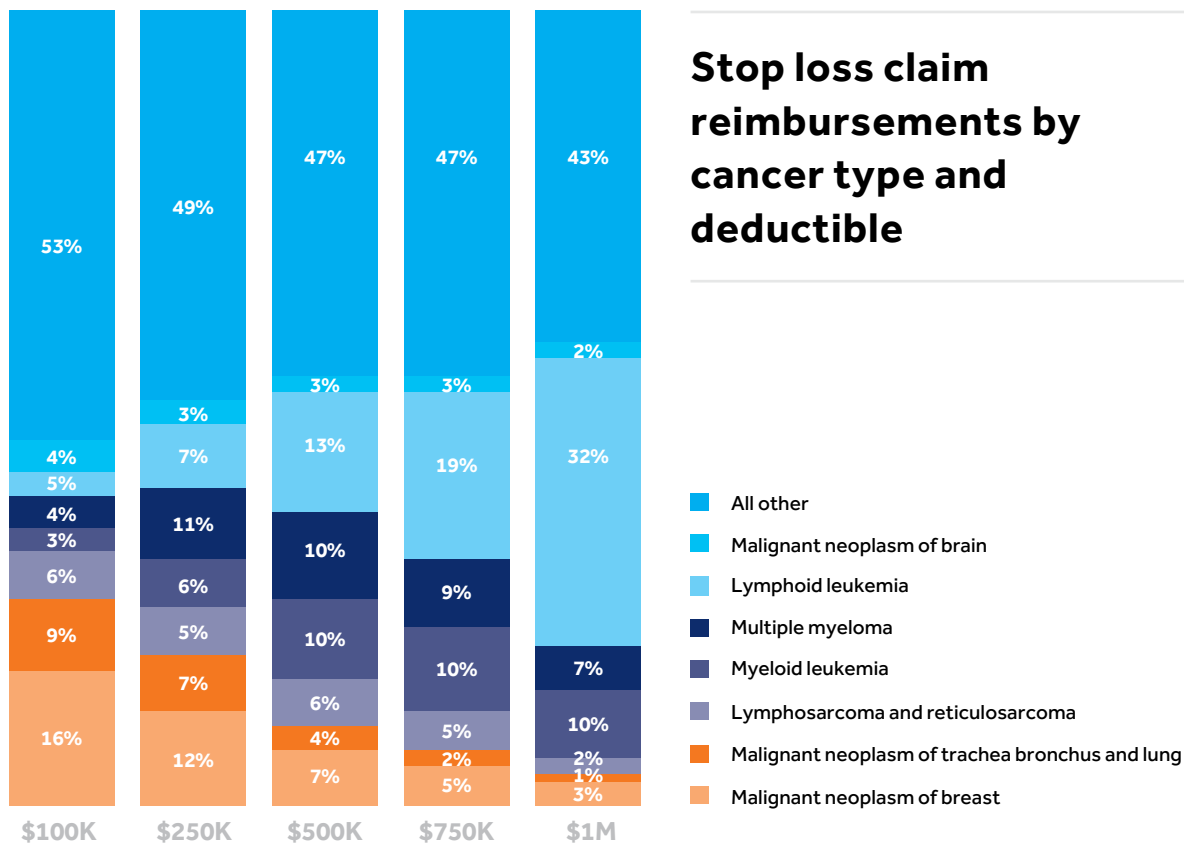


QBE's analysis of stop loss claims by primary diagnosis illustrates how the mix of claims changes for different deductible levels.

- As consistent with trends for the last several years, neoplasms remain the top diagnosis for all deductible levels, with a smaller impact at higher deductibles.
- Diseases of the circulatory system are the second most common in frequency and cover roughly 12% at every deductible.
- Diseases of the respiratory system and preterm births with associated congenital anomalies become larger drivers of overall claim costs as deductibles increase.
- The mix of claims with higher deductibles (\$500K and above) is influenced by the impact of extremely high-dollar claims to a greater extent than those with lower deductibles.

*\*Stop loss claims (2020 to Q1 2024) include both medical and drug claims based on the member's primary diagnosis (inclusive of comorbidities)*

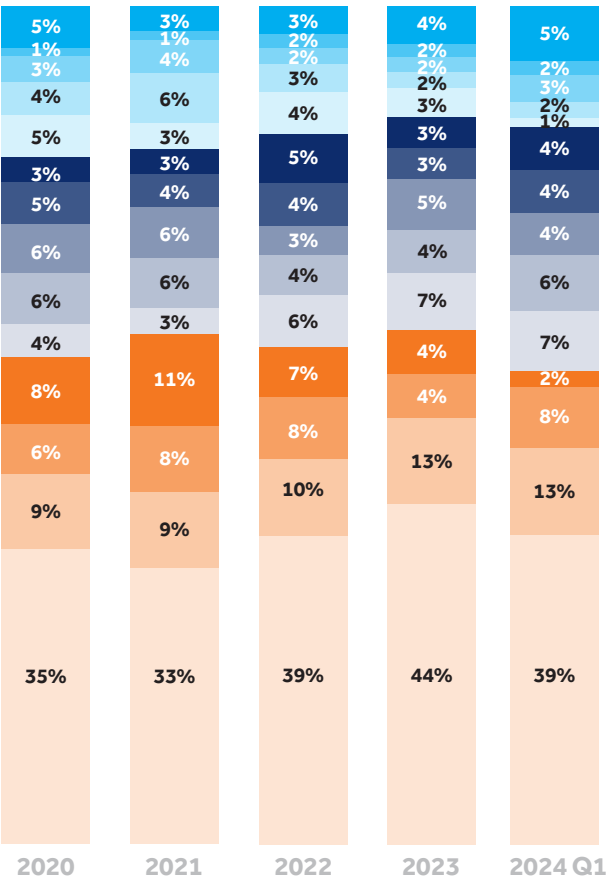




As detailed in the above chart, the prevalence of types of cancer claims varies by deductible size. For example:

- Female breast cancer accounts for about 16% of cancer related claims with a \$100K deductible, but only 7% for a \$500K deductible, and 3% for a \$1M deductible.
- Lymphoid leukemia accounts for only 5% at a \$100K deductible, yet 13% of cancer claims at a \$500K deductible, and 32% for a \$1M deductible.
- Blood cancers are the highest cost category at higher deductibles due to the prevalence of expensive treatments, such as CAR-T therapy, targeted therapies, immunotherapy, and stem cell transplants, which require extended hospital stays and monitoring. CAR-T therapy alone costs \$500K-\$750K, potentially exceeding \$1M with complications, while other therapies range from \$100K to \$725K per year.



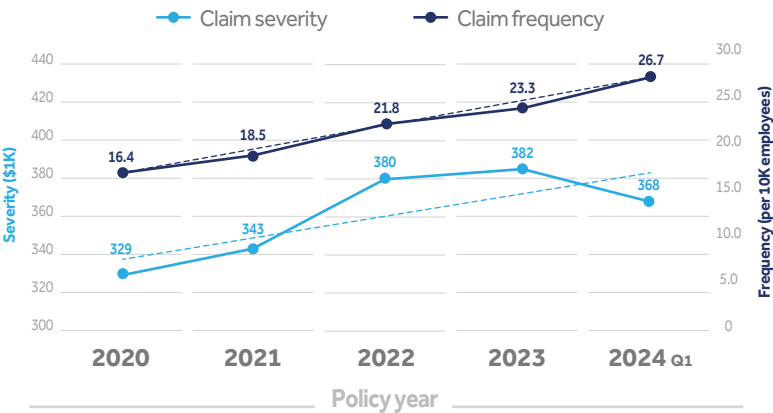


## Stop loss claim reimbursements by year (\$200K deductible)

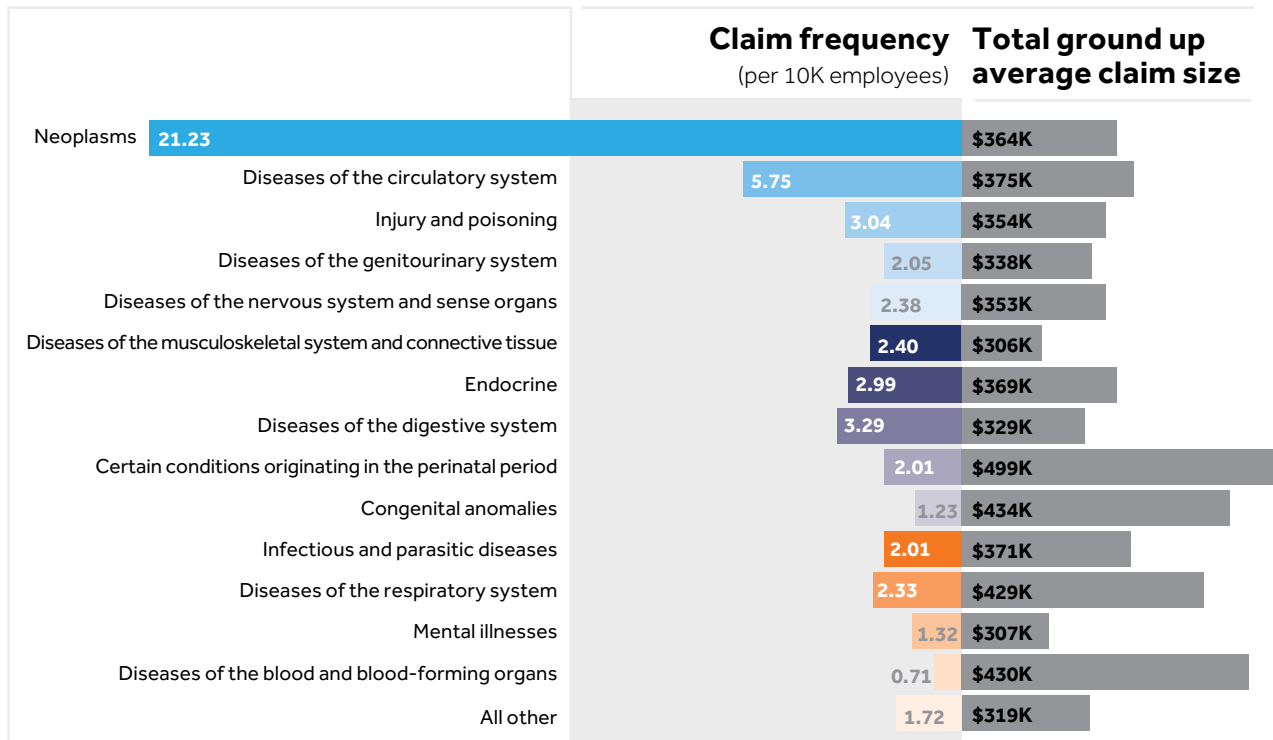
- All other
- Diseases of the blood and blood-forming organs
- Diseases of the musculoskeletal system and connective tissue
- Diseases of the genitourinary system
- Congenital anomalies
- Infections and parasitic diseases
- Diseases of the nervous system and sense organs
- Diseases of the digestive system
- Injury and poisoning
- Endocrine
- Diseases of the respiratory system
- Certain conditions originating in the perinatal period
- Diseases of the circulatory system
- Neoplasms

QBE's analysis of stop loss claims over the last five years by primary diagnosis, illustrates the mix of claims for \$200K deductibles. While the mix of neoplasms at the \$200K deductible shows a decrease in Q1 2024, it's worth noting that both frequency and severity trend lines continue to chart upward. **When combining all deductible levels, both frequency and severity of neoplasms show a steady increase in Q1 2024 over 2023.**

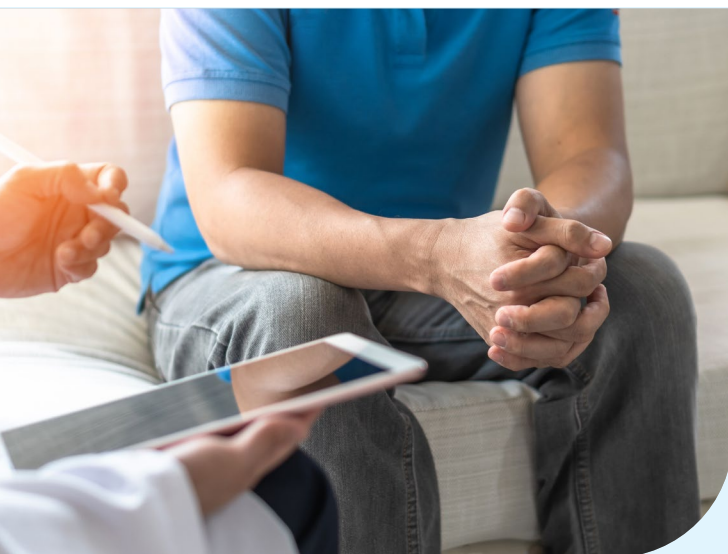
## Neoplasms XS claim frequency/severity (\$200K deductible)



## Claim frequency and average ground-up claim size by primary diagnosis (\$200K deductible)



\* Claim frequency based on Underwriting Years 2020–Q1 2024 for a \$200K deductible size; claims include employees and dependents.



Analyzing stop loss claims by frequency and severity provides further insight into the composition of claims. For a \$200K deductible, the number of members with stop loss claims per 10K employees (inclusive of dependents) and average associated ground-up claim is provided above.

**Consistent with prior observations, neoplasms continue to have the highest frequency, whereas premature births with associated congenital anomalies exhibit the highest severities.**

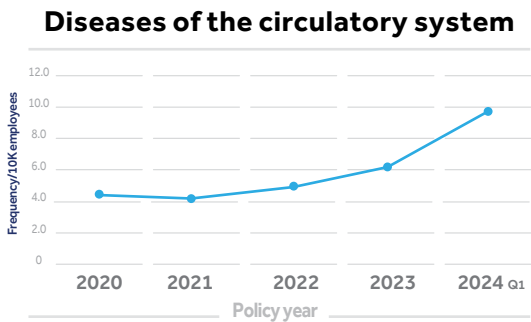
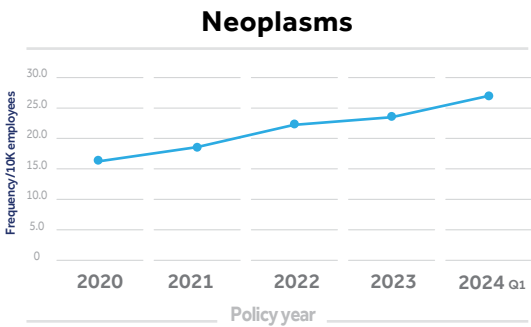
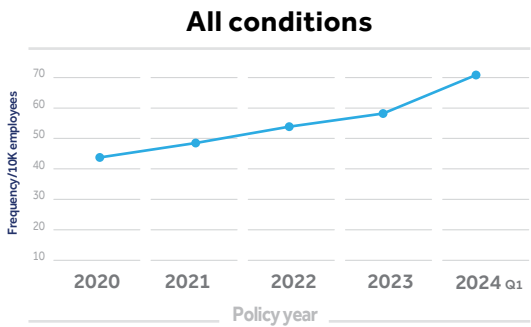
The charts below plot the number of stop loss claimants exceeding \$200K, per 10K employees (inclusive of dependents).\*

Key observations:

- The total frequency of claims continues to rise, **with Q1 2024 effective date groups experiencing a 19% increase; an all-time high compared to prior years.** As 2024 progresses, there is a possibility that this increase could revert to the levels seen in previous years.
- Neoplasm claim frequency continues to rise for 2024 effective groups by almost 15%.
- Diseases of the circulatory system have shown an almost 60% increase for the 2024 effective groups.



### Claim frequency for members exceeding \$200K in annual claims *(per 10K employees)*



\* Data reflects payments through March 2025 for business sold from 2020 through Q1 2024.



## Confronting the increase in cancer in younger populations.

In recent years, the frequency and severity of malignant neoplasms have risen sharply, particularly in younger populations under 50.<sup>1,2</sup> Early-onset cancers, such as breast, lung, and pancreatic, have increased, often presenting more aggressive characteristics. This shift suggests that cancer is less influenced by genetic factors and more by environmental and lifestyle factors.

Forecasts predict a 30% global increase in early-onset cancer by 2030, with women under 50 facing an 82% higher incidence rate than men.<sup>3,4</sup>

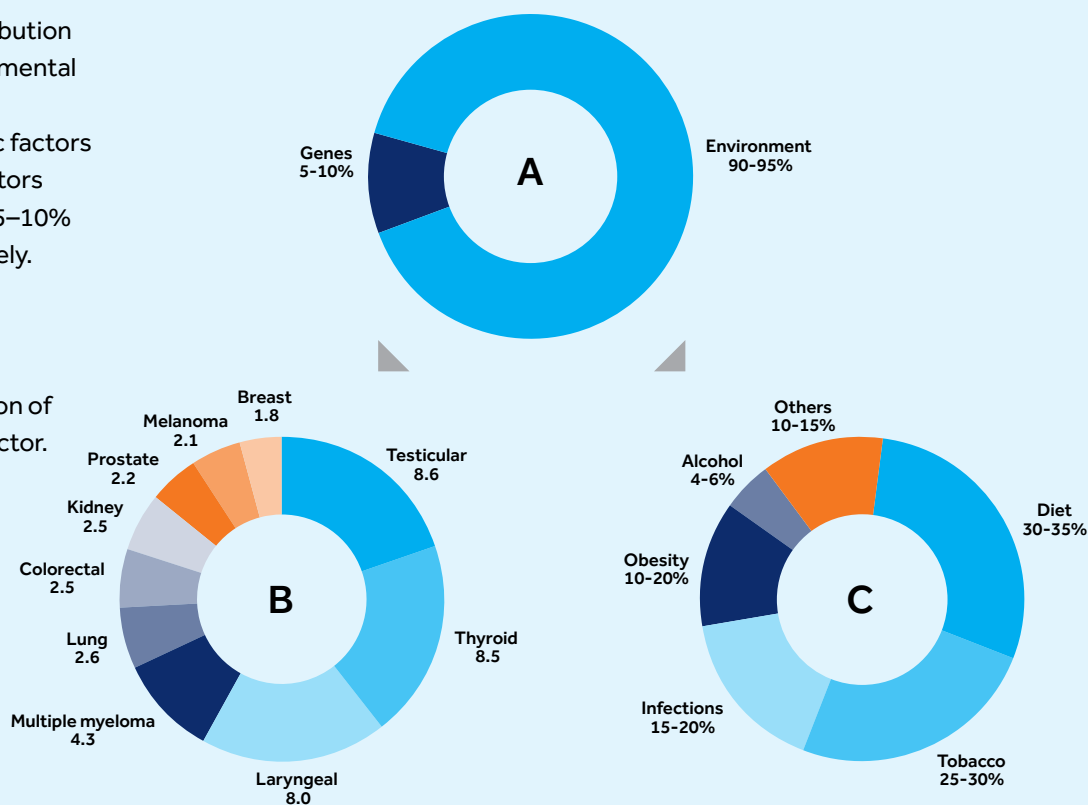
The most frequent of these are colorectal, breast, prostate, uterine, stomach and pancreatic cancers. Treatments are more aggressive and costly, often requiring prolonged care, fertility treatment, and addressing secondary cancers.<sup>2,5</sup>

As shown in the graphic below, 90 – 95% of cancers are caused by modifiable environmental factors, such as tobacco, alcohol, diet, obesity, infectious agents, environmental pollutants, and radiation, while only 5 – 10% are caused by genetic predisposition to the disease. This further speaks to the importance of modifying lifestyle and societal factors to decrease today's rising cancer rates.<sup>6,7</sup>

**A** The percentage contribution of genetic and environmental factors to cancer. The contribution of genetic factors towards cancer risk is 5–10% and 90–95% respectively.

**B** Family risk ratios for selected cancers.

**C** Percentage contribution of each environmental factor.



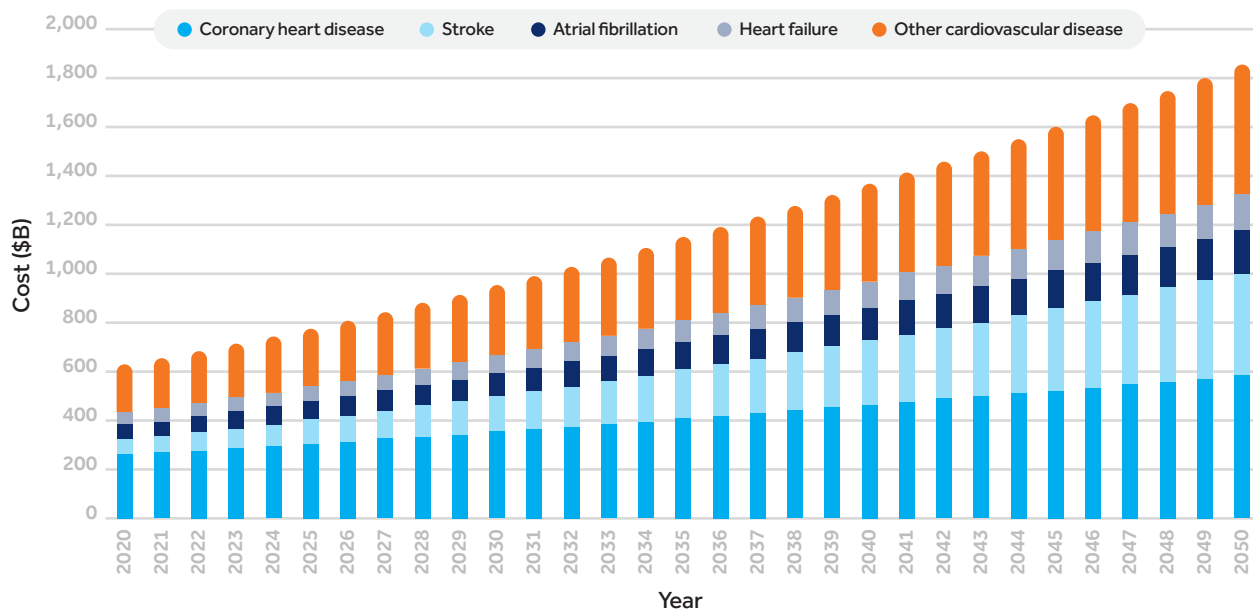
### A dangerous surge in circulatory disease

The increasing prevalence of circulatory disease, which includes conditions such as heart failure, atrial fibrillation, hypertensive and pulmonary diseases, and mitral and aortic valve disease, is a significant concern.

Chronic diseases contributing to the rising prevalence of circulatory disease are:

- Diabetes
- Obesity
- Hypertension

## Population-level economic burden of key cardiovascular risk factors in U.S. adults



<https://www.ahajournals.org/doi/10.1161/CIR.0000000000001258>

As shown above, the projected healthcare costs related to circulatory disease are expected to triple from 2020 – 2050.

In November 2024, the Heart Failure Society of America (HFSA) highlighted rising heart failure rates and worsening disparities in cardiovascular care. There has been a significant increase in heart failure prevalence and mortality, particularly affecting younger patients, minority groups, and those with co-morbid conditions such as diabetes, hypertension, and obesity. **The increase in heart failure rates among younger patients is particularly concerning, as it indicates a shift in the demographic traditionally affected by this condition.<sup>8</sup>** Minority groups are experiencing higher rates of heart failure, exacerbated by co-morbid conditions. Patients with multiple co-morbid conditions, such as diabetes, hypertension, and obesity, are at a higher risk of developing heart failure.



## QBE's circulatory claims experience

Analysis revealed:

- A significant increase in claims for circulatory disease
- A marked increase in severity
- Frequency of two claims in excess of \$1M/10K members in 2024, as compared to one in 2020
- Heart failure was the most common diagnosis for claims over \$1M
- Reimbursements increased from 9% to 15% of all claims over \$200K in four years time
- Costly procedures and prolonged hospital stays drove our highest claim over \$5M in 2024

This is primarily due to the costs associated with numerous and extended hospital stays, along with costly medications and implantable devices like pacemakers, defibrillators, ventricular assist devices (VADs), and heart transplants.

### Cardiac conditions that drove increased frequency from 2023 to 2024

Heart valve disease

Atrial fibrillation

Hypertensive disease

Pulmonary heart disease

### Major procedures that contributed to the severity of these conditions

Heart valve repair or replacement

Catheter ablation

Maze procedure

Renal denervation

Pulmonary thromboendarterectomy

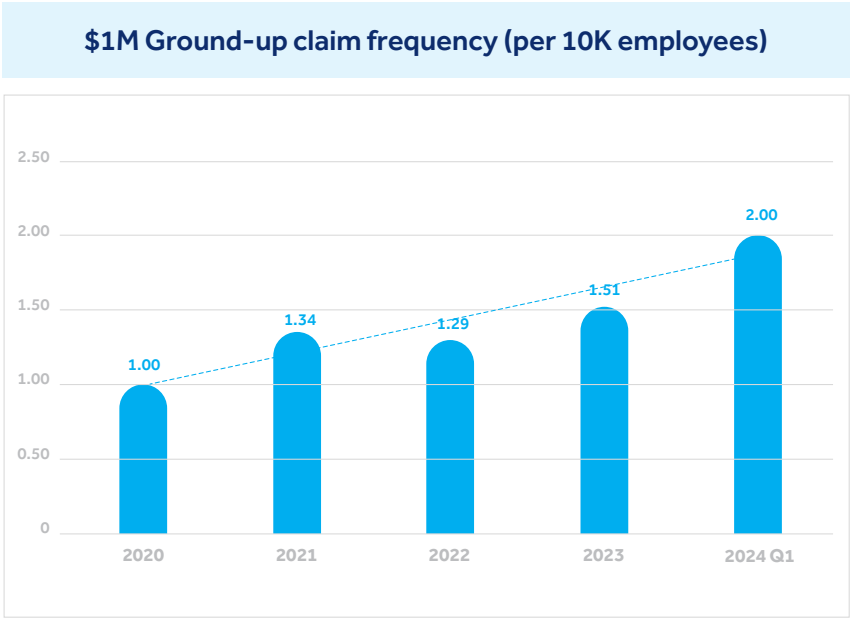
The frequency of circulatory claims has risen almost 60% post-COVID. Studies are now starting to show a correlation between severe infection with the original COVID virus strain of unvaccinated participants and an increased risk of heart attack or stroke.<sup>9</sup>

The projection that healthcare costs related to circulatory disease will triple over the next 25 years underscores the need for effective prevention and management strategies. This information highlights the urgent need for targeted interventions to address the rising prevalence of circulatory disease and the associated healthcare costs. Efforts should focus on prevention, early detection, and fair access to healthcare to reduce the impact on vulnerable populations.



Million dollar claims study

- After a pause in 2022 due to COVID, **an alarming rise in claims over \$1M has been observed in 2023 and 2024.**



\*Frequency based on ground-up claims

- Frequency has doubled in four years time, underscoring the important protection medical stop loss insurance provides to employer groups.
- The conditions leading to the highest cost claims each year were from neoplasms, premature births with related congenital anomalies, and circulatory issues. On average, these claims resulted in losses exceeding \$1M, reflecting similar trends in frequency.

<b>2021 Average claim cost: \$3.3M</b>	<b>2022 Average claim cost: \$3.6M</b>
<ul style="list-style-type: none"><li>• COVID</li><li>• Circulatory diseases</li><li>• Respiratory system diseases</li><li>• Injury, poisoning and certain other consequences of external causes</li></ul>	<ul style="list-style-type: none"><li>• Congenital malformations, deformations and chromosomal abnormalities</li><li>• Perinatal period conditions</li><li>• Circulatory diseases</li><li>• Injury, poisoning and certain other consequences of external causes</li><li>• Respiratory system diseases</li></ul>
<b>2023 Average claim cost: \$4.7M</b>	<b>2024Q1 Average claim cost: \$3.5M</b> expected to trend to \$5M
<ul style="list-style-type: none"><li>• Circulatory diseases</li><li>• Congenital malformations, deformations and chromosomal abnormalities</li><li>• Factors influencing health status and contact with health services</li><li>• Neoplasms</li></ul>	<ul style="list-style-type: none"><li>• Congenital malformations, deformations and chromosomal abnormalities</li><li>• Factors influencing health status and contact with health services</li><li>• Nervous system diseases</li><li>• Certain infectious and parasitic diseases</li></ul>

### Expected claim counts at various specific deductibles based on group size

- For employers new to self-funding, there are several factors to consider when choosing a deductible level. Group size is of particular importance, along with risk tolerance. The table below provides an insightful benchmark for the expected claim count by size and deductible, based on a blend of QBE and industry experience.

Employee Count/ Deductible Level	\$50K	\$75K	\$100K	\$125K	\$150K	\$200K	\$250K	\$300K	\$500K	\$750K	\$1M
50	2.4	1.4	1.0	0.7	0.6	0.3	0.2	0.1	0.0	0.0	0.0
100	4.7	2.9	2.0	1.4	1.1	0.7	0.5	0.3	0.1	0.1	0.0
250	11.9	7.1	5.0	3.6	2.8	1.7	1.2	0.9	0.3	0.1	0.1
500	23.7	14.3	10.0	7.1	5.5	3.4	2.4	1.7	0.7	0.3	0.1
750	35.6	21.4	15.1	10.7	8.3	5.0	3.6	2.6	1.0	0.4	0.2
1,000	47.4	28.6	20.1	14.3	11.1	6.7	4.8	3.5	1.4	0.6	0.3
1,500	71.2	42.9	30.1	21.4	16.6	10.1	7.1	5.2	2.1	0.9	0.4
2,000	94.9	57.2	40.1	28.5	22.2	13.5	9.5	6.9	2.8	1.2	0.6
3,000	142.3	85.8	60.2	42.8	33.3	20.2	14.3	10.4	4.2	1.7	0.9
5,000	237.2	143.0	100.3	71.3	55.4	33.6	23.8	17.3	7.0	2.9	1.4
10,000	474.5	286.0	200.7	142.7	110.8	67.3	47.6	34.6	14.0	5.8	2.9

1. [2024 Cancer Facts & Figures Cancer | 2024--First Year the US Expects More than 2M New Cases of Cancer | American Cancer Society](#)
2. <https://www.mskcc.org/news/why-is-cancer-rising-among-young-adults>
3. [Global trends in incidence, death, burden and risk factors of early-onset cancer from 1990 to 2019 | BMJ Oncology](#)
4. <https://www.cancercenter.com/community/blog/2025/01/younger-women-with-cancer-rates-rising#>
5. <https://www.bbc.com/future/article/20241004-the-puzzle-of-rising-early-onset-breast-and-colorectal-cancer-in-younger-people>
6. <https://pmc.ncbi.nlm.nih.gov/articles/PMC2515569/#:~:text=Only%205%E2%80%93310%of%20all%20cancer%20cases%20can,their%20roots%20in%20the%20environment%20and%20lifestyle.&text=The%20important%20lifestyle%20factors%20that%20affect%20the,obesity%2C%20infectious%20agents%2C%20environmental%20pollutants%2C%20and%20radiation>
7. [https://www.ncbi.nlm.nih.gov/core/lw/2.0/html/tileshop\\_pmc/tileshop\\_pmc\\_inline.html?title=Click%20on%20image%20to%20zoom&p=PMC3&id=2515569\\_11095\\_2008\\_9661\\_Fig1\\_HTML.jpg](https://www.ncbi.nlm.nih.gov/core/lw/2.0/html/tileshop_pmc/tileshop_pmc_inline.html?title=Click%20on%20image%20to%20zoom&p=PMC3&id=2515569_11095_2008_9661_Fig1_HTML.jpg)
8. <https://hfsa.org/cardiology-experts-warn-rising-heart-failure-rates-and-worsening-disparities-new-2024-report>
9. <https://www.nih.gov/news-events/news-releases/first-wave-covid-19-increased-risk-heart-attack-stroke-three-years-later#:~:text=The%20findings%2C%20among%20people%20with,people%20infected%20in%20the%20first>





## Preterm infant claims: Their impact on health plans

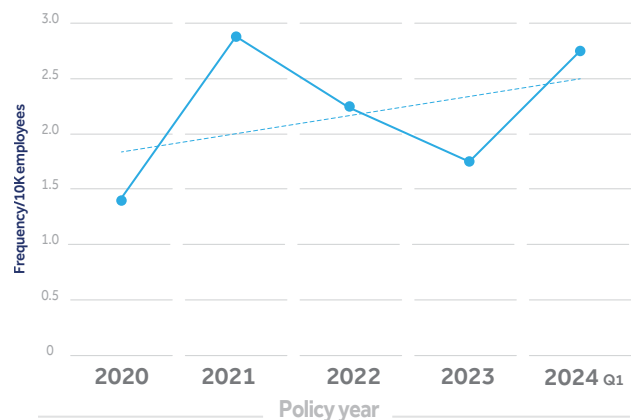
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According to the March of Dimes, the preterm birth rate remained at 10.4% for 2024 when compared to 2023<sup>1</sup>. Although the general rate of preterm births may not be rising, **QBE has observed a growing trend in the frequency of claims for preterm births with associated congenital anomalies, particularly at the \$1M and \$2M deductible levels, indicating the continuously escalating magnitude of these types of claims**, as shown in the charts below. According to a recent JAMA research letter, there has been a shift towards more aggressive treatments in infants born at 22–25 weeks gestation, leading clinicians to intervene at earlier stages of prematurity. This is likely a key contributor to the increase in premature birth claims severity we have seen in recent years.

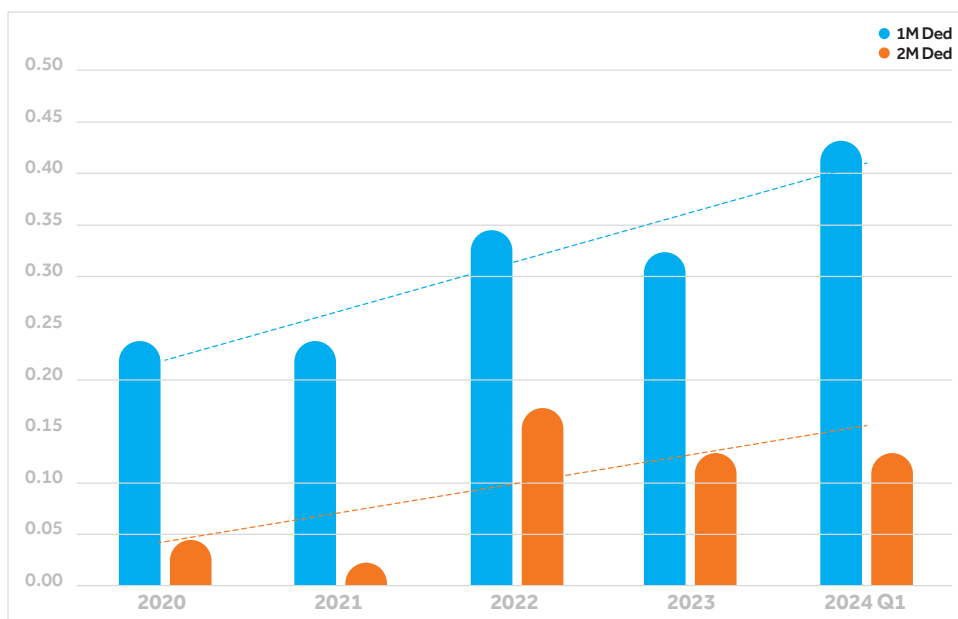
**Our largest claim for preterm births with associated congenital anomalies for 2023 was over \$5M and in 2024 was over \$3.9M.**

In addition to congenital anomalies, preterm birth is influenced by several factors, including smoking, hypertension, diabetes, unhealthy weight and mother's gestational age. Addressing chronic health conditions and risk factors is crucial to reducing the risks of preterm birth.<sup>2</sup> Although the Centers for Disease Control and Prevention stated that the rate declined by 1% from 2021 to 2022<sup>2</sup>, preterm births remain a leading cause of infant mortality, which experienced a historic 3% increase in 2023.<sup>3</sup>

**Preterm birth claim frequency (\$200K deductible)**



**Preterm births with associated congenital anomalies claim frequency (per 10K employees per year)**



1. <https://www.marchofdimes.org/peristats/reports/united-states/report-card>

2. <https://www.cdc.gov/maternal-infant-health/preterm-birth/index.html>

3. <https://www.marchofdimes.org/about/news/us-earns-dplus-preterm-birth-rate-third-consecutive-year-2024-march-dimes-report-card>



## Specialty pharmacy: Drug market sees explosive growth

The specialty drug market is one of the fastest growing subsegments within pharmacy services. Comprised of biologics, gene therapies, and cancer treatments, the market grew at its most rapid rate last year due to the [FDA's approval of new drugs in 2024](#). Since the average cost of a specialty medication can now exceed \$5K annually, the increased cost is putting a major strain on healthcare plans.<sup>2</sup>

The U.S. is experiencing much higher costs compared to the rest of the world due to various factors, including price regulation, a high demand for revolutionary treatments, rapid FDA approvals and PBMs, as well as direct-to-consumer marketing and advertising.

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**Specialty drug marketing is expected to grow at 39.8% CAGR, reaching \$966B by 2030<sup>2</sup>, while the global spend on cancer drugs alone is expected to reach \$370B by 2027.**

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This historic growth in marketing has accelerated due to the launch and use of novel drugs and limited new biosimilar impact.<sup>3</sup> Specialty pharmacy revenue is also expected to rise at an 8% CAGR from 2023 to 2028 increasing EBITDA for specialty pharmacies and managed care service providers.<sup>1</sup>

The U.S. is only one of two industrialized nations that allows direct-to-consumer marketing of pharmaceuticals. From 2013 to 2023, national advertising spend increased by \$17B, making pharmaceutical marketing the second largest industry for ad spending in the U.S.<sup>4,5</sup> One leading weight loss drug company spent nearly \$300M, while another anti-inflammatory maker spent \$400M on television ads last year alone. This type of advertising now accounts for roughly 31% of ad minutes across major evening news outlets.<sup>4</sup> It appears to be effective, as patients have begun requesting specific medications from their physicians after seeing this type of marketing, leading to an increase in brand-name medication prescriptions over less costly, generic alternatives.

### Why does the U.S. pay more for specialty drugs and prescriptions than other nations?

- I. Direct-to-consumer advertising
- II. PBM's lack of competition, lack of transparency and retention of rebate
- III. Vague pricing/limited price regulation
- IV. Political lobbyists for drug companies
- V. Rapid approvals of new specialty drugs

In July 2024, the Federal Trade Commission released a report accusing the largest PBMs of manipulating the pharmaceutical supply chain to enrich themselves at the expense of smaller, independent pharmacies and patients. The report noted that the six biggest PBMs are responsible for managing nearly 95% of prescriptions in the U.S.<sup>6</sup> The lack of transparency among PBMs makes it difficult to determine why costs continue to increase at such an alarming rate.

At QBE, we encounter various high-cost claims related to specialty pharmacy. Gene therapies used to treat rare conditions typically require a one-time administration and can cost over \$2M. Despite their high cost, claims for these treatments are infrequent. Conversely, other specialty medications, particularly cancer biologics or targeted therapies, tend to be more expensive and have a higher claim frequency, although many are below the \$2M mark per claim. QBE is committed to partnering with clients to offer cost containment solutions during their annual benefit plan reviews to help isolate and reduce the financial impact of specialty medications.

### Strategies to address pharmacy costs for 2025 and beyond <sup>7</sup>

- Value-based contracting
- PBM management: Negotiate rebates and better discounts, tiered formularies, generic substitutions, offer biosimilars when available and implement a step therapy/prior authorization for more costly medications
- Precision medicine: Use genetic profile to find the most effective therapy, reduce side effects and decrease overall health services utilization



1. <https://www.mckinsey.com/industries/healthcare/our-insights/what-to-expect-in-us-healthcare-in-2025-and-beyond>  
2. <https://www.linkedin.com/pulse/evolution-specialty-drug-commercialization-2024-year-review-priolo-ti4ye/>  
3. "Global Use of Medicines 2023 – Outlook through 2027 from the IQVIA Institute for Human Data Science." ("IQVIA Institute issues annual report on Global Use of Medicines 2023 - CDR"): <https://www.iqvia.com/insights/the-iqvia-institute/reports-and-publications/reports/the-global-use-of-medicines-2023>  
4. <https://www.wsj.com/articles/what-rfk-jr-s-dislike-for-drug-tv-commercial-could-mean-for-the-ad-industry-41b08696>  
5. <https://www.kantar.com/uki/inspiration/advertising-media/great-pharmaceutical-advertising-aint-easy>  
6. FTC Report 7/9/24 - <https://www.ftc.gov/news-events/news/press-releases/2024/07/ftc-releases-interim-staff-report-prescription-drug-middlemen>  
7. Rising Pharmaceutical Costs: A Major Challenge for Managed Healthcare - DrugPatentWatch – Make Better Decisions



## Cell and gene therapy: A record year for approvals

**It's been a standout year for cell and gene therapy, with seven new therapies approved in 11 months. Two CAR-T cell therapies were approved as earlier lines of therapy, Carvykti is now a second line therapy for multiple myeloma and Abecma is now approved as a third line therapy.<sup>1</sup>**

CAR-T utilization expanded in 2024 for treatment of auto-immune diseases such as lupus, Crohn's disease and type 1 diabetes, along with several other conditions. Additionally, there is an ongoing focus on developing gene therapies for rare genetic conditions and chronic diseases such as cancer, Alzheimer's and Parkinson's.

Currently, there are over 20 conditions with FDA approved cell and gene therapies in more than eight distinct disease categories:

### FDA approved CAR-T cell categories

Acute graft-versus-host disease

Blood disorders

Inherited and age-related retinal disorders

Inherited immunodeficiencies

Metabolic disorders

Musculoskeletal disorders

Neurodegenerative disorders

Skin disorders

Continued development of cell therapies includes earlier lines of therapy for treatment for approved and new cancer treatments. For example, Tumor Infiltrating Lymphocytes (TIL), initially launched for metastatic melanoma, will now also be used for cervical cancer and T-cell Receptor (TCR) therapy for solid tumors.<sup>2</sup> TCR is similar to CAR-T cell therapy, where T-cells are modified in the lab. This cell therapy

will capitalize on the natural mechanisms of T-cells to recognize several types of cancers within a cell. TCR brings new hope to people with solid tumor cancers, which make up the majority of all malignancies.<sup>3</sup>

### Three key emerging cell and gene therapy trends we see include:

- The expansion of non-oncologic cell and gene therapies, development of more precise gene editing technologies, and scalable manufacturing solutions.
- Investment in R&D, consolidation of smaller manufacturers to strengthen the major players in the industry, as well as high-yield cell lines that will reduce risk in the pipeline by creating more efficient production to attract ongoing investment.
- An overall expected increase in gene therapy use in 2025 and beyond, as manufacturing constraints are expected to decrease, and treatment center availability will increase.<sup>4,5</sup>



The future is ripe for the advancement of cell and gene therapies. However, costs associated with research and development to support new therapies will be passed on to health plans when treatment becomes available. Several options are available to address this challenge. However, solutions cannot be universally applied to every situation. Current literature suggests that health plans can explore various combinations of options aimed at managing these challenges:

### Strategies to manage clinical uncertainty<sup>6</sup>

Tool	Distinctive advantages	Distinctive disadvantages
<b>Upfront payment with milestone-based rebate</b>	<ul style="list-style-type: none"> <li>• Simpler to design and administer than value-based installments</li> </ul>	<ul style="list-style-type: none"> <li>• The payer remains responsible for the upfront full cost of the gene therapy</li> <li>• Difficult to agree on meaningful and practical outcome measures</li> <li>• May be difficult to agree on a meaningful amount of money at risk</li> <li>• Single patient's net price after rebate may impact Medicaid Best Price for all Medicaid programs</li> </ul>
<b>Upfront payment with warranty</b>	<ul style="list-style-type: none"> <li>• Allowable by Medicare and Medicaid</li> <li>• Does not impact Medicaid Best Price in most circumstances</li> <li>• Reduced administrative burden on plan sponsors</li> </ul>	<ul style="list-style-type: none"> <li>• The plan sponsor is responsible for the upfront full cost of the gene therapy</li> <li>• Warranty amount for incurred healthcare expenses due to treatment failure may not account for much of the initial price</li> </ul>
<b>Performance-based installment payments</b>	<ul style="list-style-type: none"> <li>• Spread payments over time with future payments contingent on the therapy meeting performance thresholds</li> </ul>	<ul style="list-style-type: none"> <li>• Payments over time problematic from a payer accounting perspective and for secondary insurance</li> <li>• Member turnover – the original payer is responsible for the full cost even if the patient leaves the plan and benefit can no longer be tracked</li> <li>• State Medicaid programs may be prohibited from multi-year contracts</li> <li>• May not be compatible with self-insured employer stop loss contracts</li> </ul>

### Tools to address the short-term budget impact of gene therapies<sup>6</sup>

Tool	Distinctive advantages	Distinctive disadvantages
<b>Stop loss and reinsurance</b>	<ul style="list-style-type: none"> <li>• Protects against very high claims and unpredictable costs</li> <li>• Established and well-understood by plan sponsors</li> </ul>	<ul style="list-style-type: none"> <li>• Policies subject to gene therapy exclusion 'lasering' for known gene therapy candidates, high-cost members, conditions, and/or products</li> <li>• Annual premiums may be volatile based on prior year claims experience</li> </ul>
<b>Gene therapy subscription model</b>	<ul style="list-style-type: none"> <li>• Fixed per member per month fee, which is similar to other pharmacy benefit manager/ insurance programs</li> <li>• May include some additional patient services</li> </ul>	<ul style="list-style-type: none"> <li>• May limit gene therapies included and exclude certain patients depending on enrollment date</li> <li>• Limited market traction to date with reports of high premiums and too few gene therapies included</li> </ul>



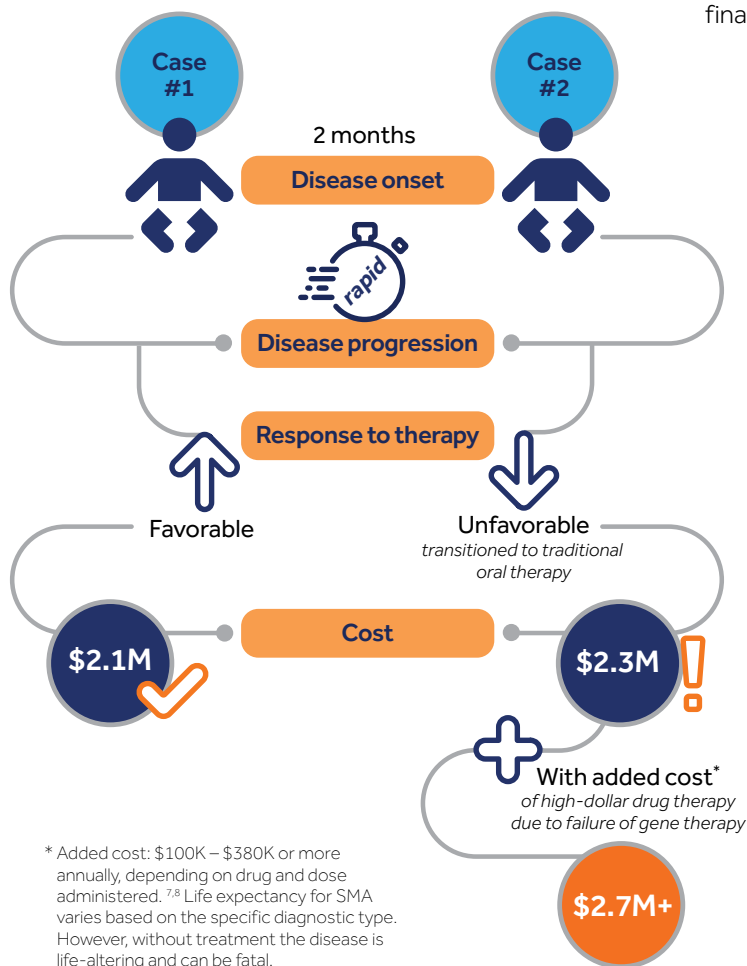
At QBE, FDA-approved gene therapy treatments are included in our excess loss insurance policy, which protects our customers and their assets. **The incidence of gene therapy claims has remained low from 2022 through 2024 with just three gene therapy claims to date on nearly 2M covered lives.**

The Zolgensma case study below explores the difference in cost between long-term drug-use versus a single gene therapy.

Two children diagnosed with Spinal Muscular Atrophy (SMA) both treated with Zolgensma, a gene therapy replacing the function of the missing or nonworking survival motor neuron 1 (SMN1).

Specialty drugs like Evrysdi and Spinraza can significantly extend the life expectancy of patients with SMA. However, the lifetime cost of these treatments may far exceed the expense of a one-time Zolgensma therapy, provided the patient responds favorably. Unfortunately, the case study indicates that Zolgensma therapy is not always completely effective, necessitating the potential need for ongoing treatment with Evrysdi or Spinraza and further escalation in lifetime cost.

QBE's cost containment team continues to monitor the ever-changing landscape of advanced, high-cost treatment modalities that provide patients with life-changing benefits, while simultaneously exploring financial protection options for our policyholders.



1. [Cell and gene therapy: Industry predictions for 2025 – Drug Discovery World \(DDW\)](#)
2. [PowerPoint Presentation ETS Cell & Gene Therapy Thought Leader Group Fourth Quarter 2024, December 19, 2024](#)
3. [T-Cell Receptor \(TCR\) Therapy, Immunotherapy | Moffitt](#)
4. [2025 Outlook For CGT Focus On Non-Oncology Indications In Vivo Gene Editing And POC](#)
5. [2025 Forecast for Advanced Therapies](#)
6. [Managing the challenges of paying for gene therapy: strategies for market action and policy reform in the United States](#)
7. <https://pmc.ncbi.nlm.nih.gov/articles/PMC10403758/#:~:text=Spinraza%20is%20an%20intermittent%20intrathecal,and%20%24380%2C000%20per%20year%20thereafter>
8. <https://www.medicalnewstoday.com/articles/spinal-muscular-atrophy-treatment#cost-and-insurance>



The \$4.7T U.S. healthcare system is driven by the growing expense tied to the increasing use of high-cost drugs, therapies and treatments. Here we explore recent headlines that government officials and health experts are examining to better understand the potential impact on our health and longevity. Further investigation is warranted to both raise awareness of and combat the alarming rise in chronic diseases nationally and worldwide.

### Antibiotic overuse dangers

While antibiotics are a necessity with incredible healing properties that continue to save countless lives from bacterial infections, our society may be relying too heavily on such drugs and unknowingly doing damage. Over time, the consistent use of antibiotics to treat a variety of infections, along with the use of drugs in livestock and agriculture, has led to a condition known as Antimicrobial Resistance (AMR). AMR occurs when microorganisms, including bacteria, viruses, fungi, and parasites live and grow alongside the drugs designed to kill them.<sup>1</sup> Infections caused by these types of organisms are difficult to treat, making AMR a significant threat to public health.

There is also growing evidence that antibiotic overuse heavily disrupts the gut microbiome, potentially increasing cancer and chronic disease risks. This disruption, known as dysbiosis, can lead to increased intestinal permeability, inflammation, and altered immune responses, affecting overall health. Specifically, **antibiotic use has been linked to increased risks of colorectal cancer, obesity, metabolic syndrome, and type 1 diabetes.** Gut microbiome is critical in breaking down toxins in the body and in regulating the immune system.<sup>2</sup>

**Antibiotic-induced dysbiosis:**  
decreased richness and diversity of microbiome



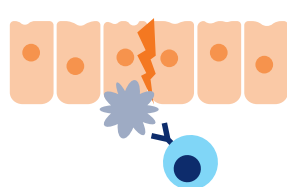
Antibiotic ▼



Generation of niche for pathogenic bacteria



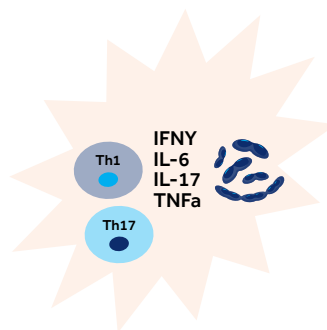
Disruption of epithelial barrier and presentation of luminal antigens to immune cells



Regulation of gene expression and epigenetic modification



**Initiation of local and systemic inflammation**



**Chronic disease**

Allergic

Autoimmune

Infectious

Inflammatory

Metabolic

Neoplastic

### Is our food supply making us sick?

Another area of growing concern that's gaining a lot of media attention in the U.S. is our food supply. Historical disease trends have climbed as our nation has become overly reliant on processed, convenience foods, especially those with synthetic ingredients. These potentially harmful ingredients are synthetic growth hormones like recombinant bovine somatotropin (rBST) in dairy, chlorine washes for poultry, and food dyes and azodicarbonamide (ADA) in breads, to name a few.<sup>3</sup> The plastic called ADA is used to increase the longevity of breads and baked goods in 500 name-brand food products (some deemed "healthy") and has been linked to respiratory issues.<sup>4</sup>

### Over 50% of the average American's diet consists of processed foods and ultra-processed food, which now make up 73% of the U.S. food supply.

The consumption of these foods has been linked to a host of major health issues, contributing to the U.S. obesity epidemic.<sup>5,6</sup> These types of ingredients not only lead to weight gain but can also negatively impact long-term physical and mental health.<sup>5</sup>

Research indicates as much as 80% of U.S. packaged foods contain these kinds of questionable ingredients that are either banned or heavily regulated in other developed countries. The FDA believes these additives are acceptable when used in regulated quantities, while other countries are trying to mitigate any potential harm.<sup>3</sup>

January 2025 saw the first step taken to turn around this trend when the FDA banned the use of Red No. 3 in foods and ingested drugs. Red No. 3 is primarily found in sweets such as candy, cakes, cupcakes and cookies. Food safety advocates are hoping the ban will shine a spotlight on other artificial dyes, but the FDA has not yet prohibited the use of any others, including Red No. 40, a separate synthetic dye which has been linked to hyperactivity and other behavioral issues in children. Red No. 40 is required to

have a warning label on the product in other countries.<sup>7</sup> The ban on Red No. 3 doesn't take effect until 2027, but some U.S. food manufacturers have already begun removing the dye from their product lines.<sup>8</sup>

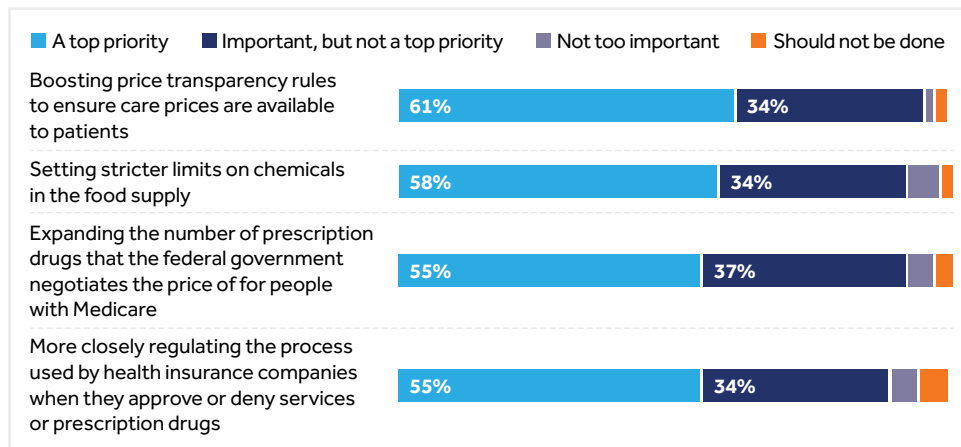
Food safety concerns are not limited to processed foods. Medical News Today reported [on a recent nationwide study which linked certain pesticides used in areas of agriculture to over six types of cancer](#). While the study's authors acknowledge the need for pesticides to eradicate food insecurity and keep up with global food supply, they highlighted the dangers of over reliance on the chemicals. The study suggests the strongest links are found in Iowa, Illinois Nebraska and Missouri, as well as California and Florida where fruit production is high.<sup>9</sup>

A health policy research poll by KFF found that 58% of Americans agree that setting stricter limits on chemicals found in food supply should be a "top priority" for the new administration and Congress. Other top priorities include boosting healthcare price transparency rules (61%) and more closely regulating the process used by health insurance companies when they approve or deny services or prescription drugs (55%). Expanding the number of prescription drugs that the federal government negotiates the Medicare price on is also ranked as a "top priority" by a majority of the public.<sup>10</sup>



### The public sees oversight, regulation, and expanding drug negotiations as top health care priorities

Below are some healthcare topics the public viewed as priorities for Congress and the Trump administration:



<https://www.kff.org/health-costs/poll-finding/kff-health-tracking-poll-public-weighs-health-care-spending-and-other-priorities-for-incoming-administration/>

Some states are choosing not to wait for the Federal Government to act. **In the first quarter of this year, 20 states have introduced nearly 40 different bills targeting a ban on food additives, the most in any year according to the Environmental Working Group.**<sup>11</sup> The Texas Senate passed two bills in March of this year, striving to regulate the use of food additives in the public school system and raise consumer awareness of the issue. One of these, Senate Bill 25, will require food labels to warn Texas consumers about the ingredients banned in other countries and mandate nutrition classes for students, while the other, Senate Bill 314, banned certain additives served in Texas Public Schools.<sup>12</sup>

Texas was not the first state to prioritize firmer food regulations. In 2023, California banned a list of food additives from foods sold in the state, as well as six different dyes from foods served in public schools.<sup>13</sup> In March of this year, West Virginia signed into law a ban of seven food dyes and two preservatives.<sup>14</sup> Oklahoma is not far behind. A Senate Bill passed in the state earlier this year would, if signed, ban 21 synthetic additives including the widely used artificial sweetener, Aspartame.<sup>15</sup>

## Social determinants impacting health equity

Social Determinants of Health (SDH) are also being contemplated among health advocates and play an important role in health inequities. The World Health Organization (WHO) defines SDH as “the conditions in which people are born, grow, live, work and age” stating the fundamental drivers of these conditions are forces, such as economic and political systems, development agendas and social norms.<sup>16</sup> For example, education, unemployment/job security, working life conditions and social inclusion and nondiscrimination are all social determinants that can influence health outcomes in a negative or positive way. In the U.S. and Europe, data clearly shows that as one’s social status or position in society improves, so does their health.<sup>17</sup> The Global Commission on Social Determinants of Health noted in a recent report that critical action is needed in multiple areas to address the global health inequities and to move towards healthier populations.<sup>16</sup>

## Legislative challenges to Employee Retirement Income Security Act (ERISA)

New legislation introduced at the state level shows a growing desire among state officials to further regulate the self-funded marketplace and challenges the scope of ERISA’s preemption.

Connecticut has been actively proposing new legislation after the state’s Commission on Racial Equity and Public Health released a report last year implying that underwriting practices for self-funded and level-funded health plans may have discriminatory impacts on small groups.

Many of the Connecticut bills taken under consideration this year proposed large individual deductibles and aggregate attachment points. One of the more recent pieces of legislation introduces language directing self-funded plans to include state-mandated benefits.

Indiana has proposed new legislation which requires reimbursing authorized mental health providers as in-network and applying credits for out-of-pocket expenses toward individual deductibles.

In Louisiana, state lawmakers introduced a bill that would prohibit the sale of stop-loss policies to groups with under 50 employees, and another which would repeal all ERISA preemptions in the state. Oklahoma is not far behind.

On a federal level, state-oriented organizations like the National Conference of Insurance Legislators (NCOIL) have recently called into question ERISA’s preemption power, but the Self Insurance Institute of America (SIIA) has reported that Congress has no interest in changing ERISA’s preemptive structure.<sup>18</sup>

1. <https://pmc.ncbi.nlm.nih.gov/articles/PMC10340576/>
2. <https://coloncancerfoundation.org/antibiotics-curing-your-infections-but-may-lead-to-cancer/#:~:text=When%20a%20person%20consumes%20antibiotics%2C%20however%2C%20the,an%20integral%20part%20of%20the%20immune%20system,&text=Antibiotic%20usage%20was%20assoc.>
3. 80% of Packaged Foods in the US are BANNED Elsewhere: Here’s WHY & the LIST
4. Nearly 500 ways to make a yoga mat sandwich | Environmental Working Group
5. <https://www.cbsnews.com/news/fda-chemicals-food-supply/>
6. <https://ballardbrief.byu.edu/issue-briefs/the-overconsumption-of-ultra-processed-foods-in-the-united-states#:~:text=because%20they%20increase%20circulating%20levels%20of%20cholesterol,&text=Elevated%20cholesterol%20can%20then%20go%20on%20to%20influence%20the%20development%20of%20CVD.&text=Low%20levels%20of%20fiber%20decrease,until%20they%20do%20feel%20full.&text=This%20eating%20pattern%20means%20that,caused%20by%20unhealthy%20behaviors.16.&text=UPFs%20also%20have%20a%20correlation,rise%20in%20irritable%20bowel%20syndrome.&text=Low%20levels%20of%20fiber%20continue,health%20of%20those%20overconsuming%20them>
7. <https://www.foodsafetynews.com/2010/07/eu-places-warning-labels-on-foods-containing-dyes/>
8. <https://www.nbcnews.com/news/us-news/food-safety-advocates-expect-smooth-transition-away-red-no-3-rcna187802>
9. Cancer: Pesticides like glyphosate may increase risk for several types
10. <https://www.kff.org/health-costs/poll-finding/kff-health-tracking-poll-public-weighs-health-care-spending-and-other-priorities-for-incoming-administration/>
11. <https://www.nbcnews.com/health/health-news/food-dyes-ban-rfk-jr-west-virginia-fda-rcna197180>
12. <https://communityimpact.com/austin/south-central-austin/texas-legislature/2025/03/17/texas-senate-approves-bills-aimed-at-promoting-healthy-eating/#:~:text=SB%2025%20also%20proposes%20requiring,related%20majors%20or%20medical%20school,&text=Senators%20also%20approved%20Senate%20Bill%20314%2C%20by%20Sen.>
13. <https://www.ewg.org/news-insights/news-release/2024/09/california-leads-nation-first-ban-six-harmful-food-dyes-school>
14. <https://www.cnn.com/2025/03/29/health/food-dye-bans-states-wellness/index.html>
15. Oklahoma bill seeking to ban Red Dye 40, aspartame advances
16. [https://www.who.int/health-topics/social-determinants-of-health#tab=tab\\_3](https://www.who.int/health-topics/social-determinants-of-health#tab=tab_3)
17. Are psychosocial factors mediators of socioeconomic status and health connections? - Matthews - 2010 - Annals of the New York Academy of Sciences - Wiley Online Library
18. Self-Insurance Institute of America Government Relations Webinar 1.22.25, 2.26.25, 4.23.25



## Why QBE?

At QBE, we're driven by our purpose of enabling a more resilient future. As a matter of fact, we've been doing it since 1886. Now a global insurance leader, rated AA- by Standard & Poor's and A (Excellent) by A.M. Best, we remain as committed as ever to helping our shared customers solve unique risks.

As a top 10 independent medical stop loss carrier, QBE North America's Accident & Health practice is proud to offer reliable coverage and outstanding service tailored to meet the unique needs of self-insured employers. Ongoing medical inflation, advancements in medical science, rising liability limits and stringent government regulations are a lot to keep up with. That's why employers depend on brokers, plan administrators and their carrier partners for innovative benefit solutions.

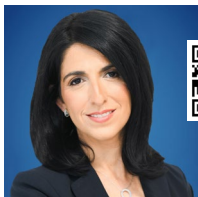
We're passionate about sharing our specialized expertise and unmatched technical resources. Our team's deep industry knowledge and commitment to excellence helps to set us apart when servicing our broker and customer base. QBE product offerings include Medical Stop Loss, Captive Medical Stop Loss, Organ Transplant and Taft-Hartley solutions. Additionally, our cost containment team provides comprehensive risk management solutions aimed at reducing the overall healthcare expense of the plan. We're proud to assist brokers and administrative partners in safeguarding their clients and expanding their businesses.



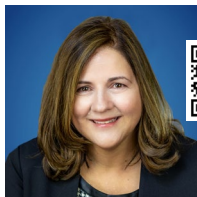


## Our team

We're here to help you and your customers succeed. Should you wish to discuss our report findings, additional industry insights or learn more about the QBE Accident & Health suite of risk mitigation solutions, please contact one of our team members:



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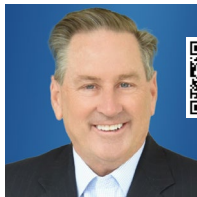
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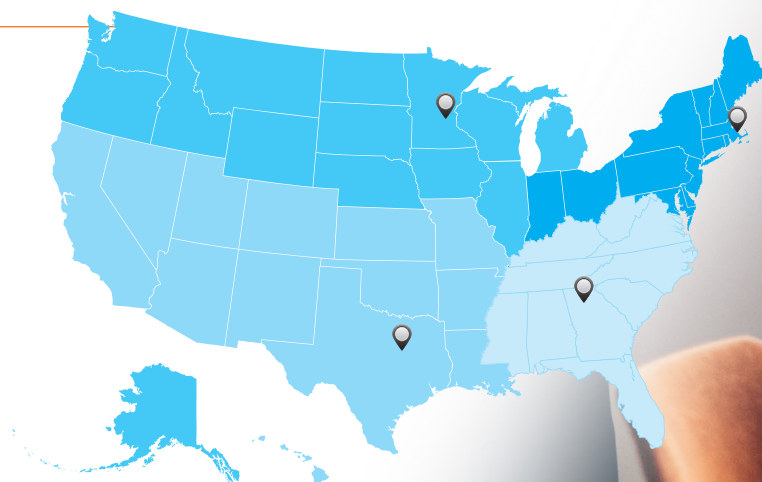
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\*Top 10\* claim made based on premiums earned, see [2023 NAIC Accident & Health Policy Experience Report](#).

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