2025 MID-YEAR MARKET REPORT

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PERSONAL INSURANCE MARKET TRENDS

Homeowners

2025 came in hot – literally, as California faced a monumental wildfire event. AccuWeather has estimated the total damage and economic loss from the LA wildfire event anywhere between $250 billion to $275 billion. Insured losses are estimated at over $45 billion per the UCLA Anderson School of Management report. The ripple effects of these fires will continue as experts also predict a continued decline in county-level GDP of over $4 billion as well.

These fires have impacted standard carriers and the surplus lines markets. They impact reinsurers' earnings and resulted in a dramatic reduction in capital and lingering balance sheet issues. These events are expected to affect property insurance premiums nationwide. Insurance companies may continue to tighten their belts in weather-affected areas, causing more insureds to turn to state-organized insurance plans. Average rate increases nationwide may be over 20% throughout 2025, per Trusted Choice.

Labor remains a growing challenge in residential construction nationwide. At the end of 2024, the National Association of Homebuilders estimated residential building worker wage growth at almost 10% over 2023. While material prices have started to stabilize, overall construction costs are still on the rise. Employers continue to struggle to hire quality workers to meet the construction demand, resulting in a continued labor shortage, significantly affecting the construction costs passed to insureds at the time of a loss.

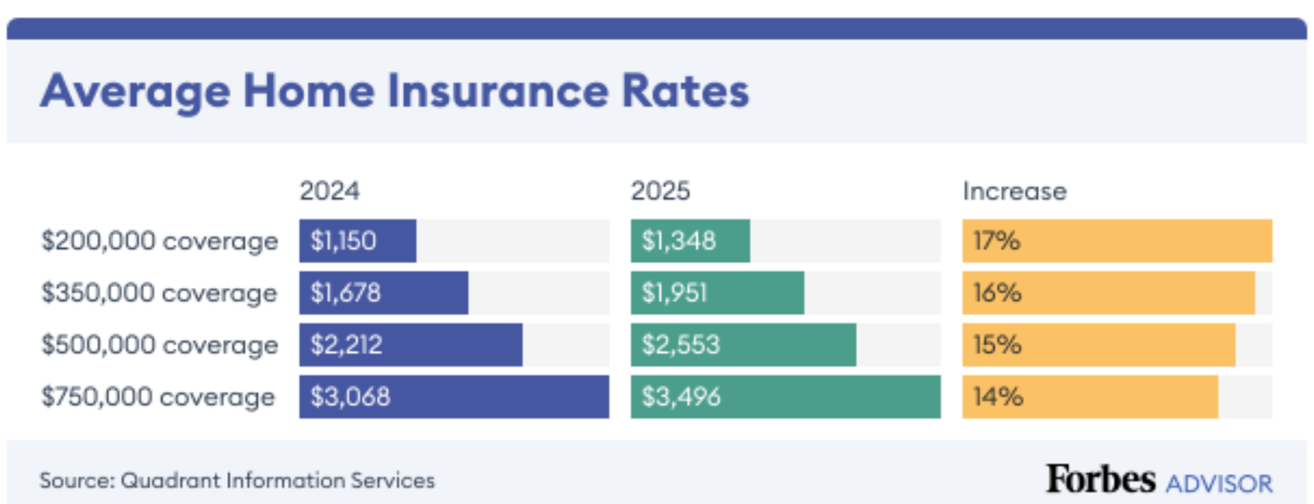
Flood

Flooding events in 2024 and 2025 quickly brought flood coverage inadequacies to the forefront. Affecting Western North Carolina with unprecedented rains, Hurricane Helene resulted in damage or destruction of over 125,000 homes. Business Insider estimated that less than 3% of homeowners in North Carolina carried flood insurance, leaving a slew of claims that were uninsured. Many policyholders mistakenly believe that standard homeowners coverage includes the peril of flood, which is not the case. Most homeowners state they believe they are safe from flooding events, however, over 40% of floods have occurred in low to moderate-flood hazard zones according to FloodSmart.

Many traditional flood policies are written through the National Flood Insurance Program (NFIP). The NFIP's authority expires September 30, 2025, unless reauthorized by Congress. Further, the NFIP's new pricing methodology has resulted in premium increases of $8-10 a month, according to FEMA. As such, there is an influx of opportunities to obtain flood coverage options from private insurers.

Collections

The younger generation is making their mark – and it is showing in their collectibles. There is a rise in contemporary art collections amongst younger collectors along with high-dollar sports memorabilia. Sports Illustrated has predicted that sports collectibles will grow to $271 billion from under $34 billion in less than ten years.



It is estimated that Gen Z will account for 25-30% and Millennials will account for over 50% of the luxury market by 2030. These generations continue to purchase fine jewelry and watches. The cost will insure these items remains reasonable, even with the growth in the sector, at 1-2% of the items' value as an annual premium.

Automobile

The average cost of a private passenger auto is reaching all-time highs in 2025. In most markets, 2025 represents the 7th consecutive year of rising premium costs, according to the State of Auto Insurance in 2025 publication by *ValuePenguin.com.*

Newer vehicles have increased technology, safety, and convenience features. Although many of these features have improved the overall driving experience and decreased auto collisions, repairs continue to be costly and sometimes challenging when sourcing replacement parts. Further, the labor costs for auto repair work have increased 5% over the past two years, according to CCC Intelligent Solutions Inc. This increase in parts and labor directly affects claims payments and insurance carrier profitability metrics.

With the rising cost of insurance overall, the number of uninsured motorists in each state also continues to grow. In addition, the minimum limits required in each state have not stayed on track with the rising cost of repairs and claims frequency. So, between those drivers without insurance and those drivers with inadequate insurance, the risk borne by the insurance carrier continues to increase, resulting in increased rates for all insured drivers nationwide.

Technology continues to affect the personal insurance market as well. Forbes has stated that carriers are turning to more AI technology to improve the underwriting process and more accurately predict future behaviors and claims expectations. Further, telematics technology, allowing monitoring of driving habits and patterns, including phone usage, speed monitoring, harsh braking, and overall risky driving behaviors, is changing auto insurance underwriting. This data allows carriers to customize premiums to driving habits and behaviors, allowing safer drivers to benefit from lower overall insurance premiums.

COMMERCIAL INSURANCE MARKET TRENDS

2025 has held a mix of opportunities in commercial insurance. While some lines of business remain challenging, namely commercial automobile and umbrella, other lines are holding their own and offering rate decreases.

CAT losses

Catastrophe events/extreme weather events continue to plague the insurance market. Historically, worries centered around coastal communities while hurricane season brewed. Recent hurricanes have resulted in substantial losses, both along the coast and further inland, which has been a shock to the insurance landscape. We are also seeing a rise in 'secondary perils' throughout the country due to other weather-related activity including severe convective storms (hail, lightning, wind) and wildfires. Insurance companies are looking to bolster their storm and predictive modeling efforts for a chance to 'outrun the storm' of resulting CAT losses. Companies are using higher deductibles and lower sublimits to curtail their losses in these spaces.

Ongoing Supply Chain Concerns

Disruptions in the supply chain continue to affect the insurance market. Weather related events, cyber-attacks, product recalls, and theft of certain commodities along with the overall increase of cost in the manufacturing of goods and resultant transportation of such goods continues to affect the supply chain and business interruption claims activity. Further, tariffs levied to address trade imbalances will undoubtedly increase the cost for both raw materials and finished goods imported. This will have a direct impact on claims costs going forward. Insurers will factor the rising costs into pricing models which will further increase rates in anticipation of future claims.

Artificial Intelligence (AI)

Artificial Intelligence (AI), while not a new concept, is relatively new to the world of insurance. Insurance historically is slower to adapt to emerging technologies and AI was no exception. As claims have continued to escalate, insurance underwriting is addressing AI risk assessments to assist in profitability and claims modeling. AI has been named a 'silent peril' as it continues to weave into areas of daily operations for insureds while consumers aim to enhance productivity and profitability. Long-term claims from the continued development of AI remain to be seen as resultant changes to insurance coverage and rate structure.

Social Inflation and Nuclear Verdicts

Social Inflation and Nuclear Verdicts continue to escalate claims costs. Nuclear verdicts are awards of $10 million or more and they have continued to become more commonplace. The Institute for Legal Reform reports that nuclear verdicts have grown significantly over the past decade, especially in product liability and auto accident situations. Several claims resulting in severe bodily injury or death resulted in nuclear verdicts. 2024 saw a nuclear verdict of $462 million for an automobile accident resulting in a double fatality. These verdicts along with higher defense costs across the board continue to impact rates and premiums across many sectors.

(See chart on next page)

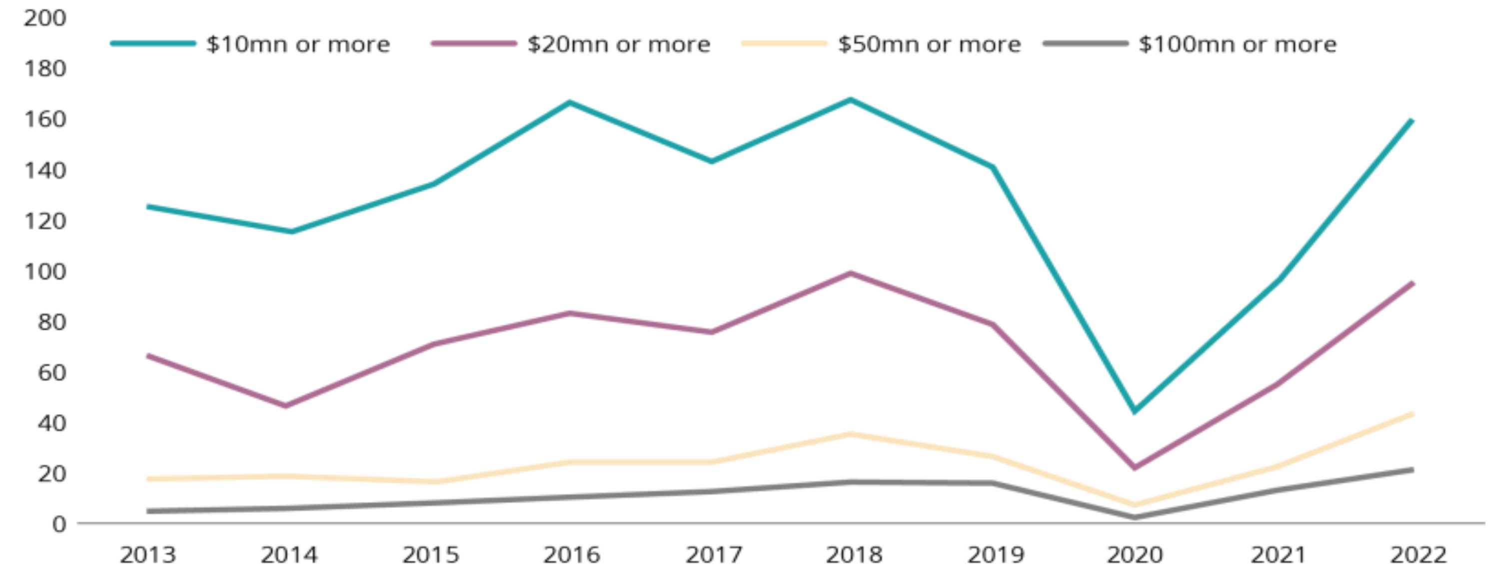
Aging Insurance Workforce

The average age of employees in the insurance world is quickly approaching retirement. This means in less than five years, critically important functions in the insurance industry, including underwriting and claims, will lose tens of thousands of professionals. Many of these employees are veteran experts and key in underwriting profitability. Insurers must find ways to get new workers onboarded quickly. As the world turns increasingly to AI driven programs, the next generation may turn to AI to further their technical skills.

Property

Wildfires didn't skirt by commercial operations at the start of 2025 by any stretch. These storms greatly affected commercial and personal underwriting results in Q1 2025 and drastically dove into policyholder surplus. Carriers are looking to solidify their coverage positions with changing rates, limits, and deductible structures for wildfire prone areas. It is important to note that modeling for wildfires is still evolving and challenging to predict. Many carriers will turn to hardened underwriting and pricing actions, including verification of wildfire prevention programs and vegetation risk mitigation – under the guise of lowering the risk of wildfire by removing what would burn.

Number of reported nuclear verdicts
2013-2022



Source: US Chamber of Commerce Institute for Legal Reform

Severe convective storms, which include tornadoes, wind events and hailstorms, are continuing to affect profitability for commercial and personal markets. Standard carriers may cut back on coverage options forcing excess convective storm coverage placements with non-traditional markets. Each year these storms cause billions in insured losses. With the difficulty in predicting such storm events and the buildup of damage overtime, especially on roofs, premiums and coverage will be modified to reflect this growing exposure.

Over the past couple of years, carriers reinstituted margin clause and values limitations, limiting the effectiveness of blanket coverage in the hope of rightsizing building valuations to reflect the rising cost of labor and materials. As the focus on large valuation increases wanes, markets are back to discussing blanket limits, especially if accompanied with current appraisals.

In an effort to appropriately adjust rating, more data is being requested by carriers including building updates and improvements to HVAC systems, roofing, electrical and plumbing. Older buildings are considered "higher risk" and affect the overall risk profile. Property carriers are continuing to rely on responsible underwriting to maintain expected profitability in 2025 and beyond.

Proper valuation remains important to ensure the right coverage is in place at time of loss. Maintaining an accurate replacement cost value, which differs wildly from market value and tax value, helps insureds avoid gaps and penalties which may result in financial hardship. The replacement value is determined using factors like square footage, construction type, occupancy, and the location.

Excess Liability/Umbrella

Umbrella coverage continues to be a challenging line of coverage. Many contracts are calling for higher limits than in the past, coupled with carriers that are pulling back on limits offered due to capacity constraints and poor historical performance. The rise of social inflation and litigation costs means umbrella rates are not stabilizing any time soon, especially for accounts who are seeking large limits.

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COMMERCIAL INSURANCE MARKET TRENDS *(continued from page. 5)*

Automobile

Commercial Automobile continues to plague insurance carriers. Most carriers report continued profitability erosion on automobile coverage due to an increase in both frequency and severity of claims activity. This continued claims trend has led to non-renewal of automobile accounts by standard markets and a growing number of submissions into non-standard and wholesale automobile markets. States with more difficult litigation, like California and Florida, pushed through large premium increases and face continued underwriting pressure.

Many insureds continue to cite a driver shortage as a major hurdle for their companies, and they continue to waive prior driving standards to attract employees. This has continued to contribute to higher incidents and increased claims dollars in two aspects: Litigation along with high demands leading to increased punitive damages resulting in nuclear verdicts and the continued rising cost of automobile physical damage due to the increased cost and technology of today's vehicles.

Telematics, the use of GPS and diagnostics to analyze vehicle and driver behaviors, is becoming increasingly commonplace. Telematics and videomatics allow for real time tracking and communication, monitoring of driver behavior including speeding, acceleration and braking, regulatory compliance related to hours of service and vehicle maintenance. The use of Telematics can result in improved fuel consumption and lower vehicle operating costs, increased safety leading to a lower accident and incident rate, and improved driver performance due to targeted training and coaching available. This coupled with continual monitoring by management along with a reward and consequence system can improve the risk profile of a business.

TRANSPORTATION RISK SERVICES

Sentinel's Transportation Risk Services assists organizations in identifying, assessing, and managing risks associated with all facets of fleet safety. These consultancy services cover a wide range of areas, including safety, telematics/ datamatics, compliance, and operational efficiency to reduce injuries and accidents, and enhance the overall safety culture.

Claims Management
Our team of claims professionals assists in managing customer claims and advocates quicker claims resolutions with insurance carriers. The Sentinel claims team, comprising of licensed insurance adjusters, has the experience and expertise to handle claims of any size or complexity, allowing the client to focus on their business rather than an arduous claims process.

Fleet Risk Assessment
Our team offers expertise in managing fleet risks through identification and mitigation of potential hazards associated with operating a fleet of vehicles. We conduct thorough assessments to identify potential risks, including operational, environmental, and security risks.

Compliance
We provide tools to assist clients with a wide range of regulations and standards for commercial motor vehicles and their drivers. This includes driver qualifications, MVR reviews, hours of service, vehicle maintenance, drug and alcohol testing, and record-keeping.

Safety Culture
We work to build a safety-conscious culture within organizations, encouraging risk-aware thinking and proactive risk management. We provide learning management systems (LMS) to identify driver needs and training, fleet audits, driver training and other safety programs.

Video, Telematics, and Datamatics
We've partnered with global video, logistics and telematics companies to help our clients optimize transportation operations, including route planning/ logistics, asset locations, fleet speed data, fuel management, and driver behavioral patterns through our custom fleet solutions.

Customizable Services
Our team can provide customized services for clients of any size or need. We have a diverse group of safety professionals that are positioned to fill in safety "gaps" a company may encounter.

Q & A *with* STEVE KITE

Director of Transportation Risk

Steve Kite, provides consultative guidance in designing custom transportation and general risk consulting service plans within Sentinel's Risk Performance Group. Armed with 30 years of work zone traffic control experience with the North Carolina Department of Transportation, Steve's focus is aimed at reducing accidents and improving risk profiles for Sentinel's clients.

Q: What are some of the transportation-related challenges facing companies today?
A: *Companies with smaller to mid-size fleets may not understand their risk profile as well as the importance of data collection and technology in determining their ability for coverage at competitive rates. Each client has different strengths and weaknesses. At Sentinel, we can help them identify their "gaps" and provide solutions to reduce their risk profile. This process allows these companies to maximize their attractiveness to the insurers.*

Q: What are the current conditions in the marketplace?
A: *Underwriters are currently experiencing financial losses in covering construction fleets driving some carriers out of the market and increasing premiums for the industry. Claim frequency and amounts as well as severe lawsuit damage amounts are the primary factors for the financial losses.*

Q: How does Sentinel Transportation Risk Services address these challenges?
A: *We are a "value-added" service team that engages with our clients to help them understand the importance of generating and maintaining a safety culture. Specifically, we focus on four main areas: claims management, fleet safety to include telematic and videomatic data collection, training, and customizable services to ensure our clients obtain "best-in-class" status.*

Q: Why did you join Sentinel's Risk Performance Group?
A: *Sentinel presented an opportunity where I could leverage my 30 years of experience on the engineering side of the road building transportation business with organizations who face transportation risk. I'm excited to be part of a firm that consistently enhances services and solutions that better the overall risk management programs for our clients.*

SURETY MARKET REPORT

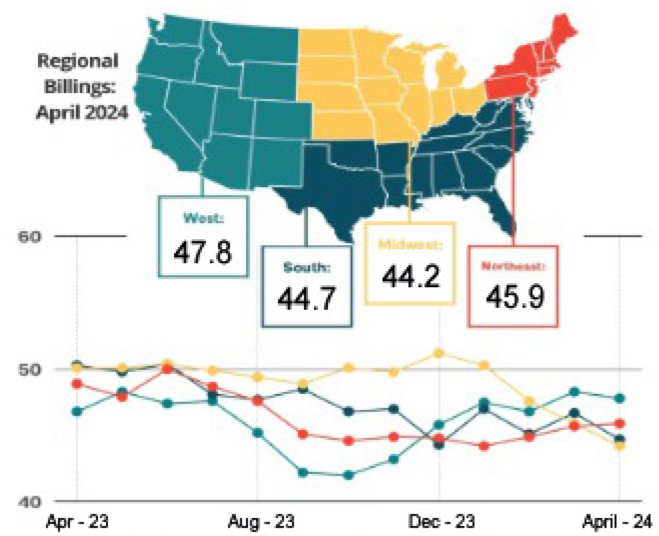
Suretyship is a three-party agreement between the Principal (Contractor), Obligee (Project owner), and Surety (Insurance company). The surety product is more akin to a credit function than a typical insurance function and is often referred to as Surety Credit. Surety for construction contractors is the largest segment of the surety industry, but surety also encompasses other business and individuals that is referred to as Commercial Surety.

By being a credit-based product, the surety industry is affected by the overall credit and capital markets, as well as, both macro and micro economic conditions. For many years, low interest rates and plentiful capital have created an extremely competitive surety marketplace know as a "soft market." It allowed many new entrants into the industry and made obtaining surety relatively easy for many years. But things change! At Sentinel we can guide you through these changes.

ECONOMIC IMPACTS

The overall economy does have an effect on surety and there are signs of a slowing economy. Some recent examples are a decrease in GDP for Q1 2025, consumer confidence at an 11-year low, credit card defaults at near record levels, and the Fed pausing rate increases and likely lowing rates in the near future.

For Construction, one of the best leading indicators is the Architectural Billing Index (ABI) as published by the American Institutes of Architects (AIA). An ABI rating of 50 or less indicates lower construction activity in the comping 12-18 months. Interestingly, all regions of the U.S. are now showing an index of less than 50. Additionally, many construction industry groups report that member firms are replacing backlog at lower velocity than in recent years and many are expecting lower revenue in 2025.



Regional Architecture Firm Billings: April 2023-April 2024

AIA

CHANGES IN REINSURANCE MARKET

Many surety companies reinsure or "lay off" a lot of their risk to reinsurers. The reinsurance market for surety has also been incredibly competitive for many years and led to the competitive market for primary writers. This too, is changing. There have been several recent major losses, particularly in Commercial Surety, resulting in a hit to reinsurers. Fieldwood and Cox produced surety losses estimated to be approximately $800 million. This is on par with the Enron losses in early 2000's and is now starting to cause many reinsurers to raise prices, reduce capacity, and change their terms. This is beginning to affect pricing and capacity of surety companies with further impact expected in late 2025 and early 2026. The old saying, "red sky at night, sailor's delight; red sky in morning, sailor take warning" comes to mind with regards to the current surety marketplace. We have calm seas for now but there may be some rough waters ahead.

Scott Elliott, CPCU, AFSB

Director of Surety

As Director of Surety, Scott is responsible for developing Sentinel's Surety Practice that includes both contract and commercial surety business throughout Sentinel's footprint. The Charlotte native has accumulated more than 30 years' experience in surety production and underwriting throughout his career and holds both the Chartered Property and Casualty Underwriter (CPCU) and Associate in Surety and Fidelity Bonding (AFSB) professional designations.

SPECIALTY MARKET TRENDS

The specialty insurance market has remained dynamic, with softening in some areas and continued hard market trends in others.

Management Liability

Capacity remains abundant in the marketplace. With increased competition comes coverage and rate flexibility for consumers. This softening market has led to an uptick in demand for Directors and Officers coverage. Trends affecting Directors and Officers coverage include:

Economic

The slowdown in GDP growth means some analysts fear the US economy is moving into a recession. Proposed tariffs may continue to weaken economic growth and contribute to growing inflation, at least in the short term. During economic downturns, insureds may face increased litigation, including claims against the directors and officers of the firm. Financial downturn can lead to breach of financial duty, breaches of securities laws, and litigation from corporate decisions. Further, companies experiencing financial difficulty may resort to bankruptcy and fraudulent practices. Bankruptcy filings in 2024 were up 33% according to the United States Courts, even before the shifting economic environment of today.

Ongoing ESG Management

Environmental, Social and Governance (ESG) issues have been a topic of discussion surrounding Directors' and Officers' liability for the past several years. Another emerging area of ESG is Diversity, Equity, and Inclusion (DEI). Given recent backlash with DEI programs and many companies rolling back their programs, the ripple effect for directors and officers may follow.

Cyber Connected Exposures

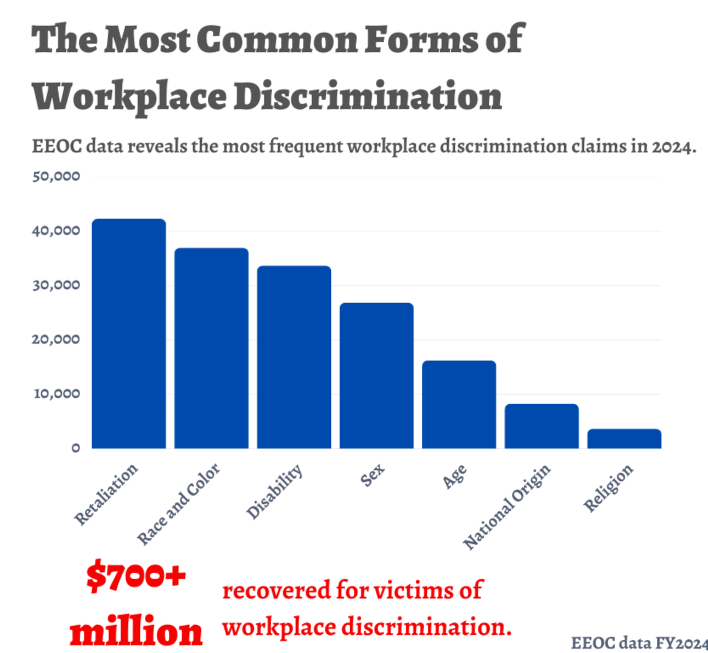
It has been stated previously that cyber incidents often contribute to Directors and Officers Liability claims. They can lead to corporate derivative concerns, alleging the directors and officers failed to provide proper oversight to mitigate a cyber loss.

Employment Practices Liability

Some experts predict continued market competition and stable pricing throughout 2025 while others propose small premium increases due to growing claims trends. Factors that may impact the EPLI market in 2025 are:

Increased claims frequency

Employers have seen an increase in discrimination, workplace harassment, and retaliation claims in recent years. These claims are commonly filed with the EEOC and have detrimental effects on an insured's bottom line – through reputational harm, employee morale, and decreased productivity. Employers should provide routine training, education, and response avenues. Documentation should be maintained for every incident and investigations should be swift and thorough. Further, employers should review their employee handbook to make sure they are up to date with proper language.



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SPECIALTY MARKET TRENDS *(continued from page. 9)*

Increased claims severity

With the rise of class action suits, social inflation, and nuclear verdicts, many states are starting to see an increased severity factor in Employment Practices related claims. Most litigious states, such as California, New York, and Florida, have had higher claims awards for several years, but now other states, including Texas and Illinois, are following suit. Legal fees are also on the rise, so the cost of defense and trial/jury awards can quickly erode limits.

Political concerns

Two areas to watch under the evolving political environment are immigration and independent contractors.

The new administration is prioritizing immigration reform. More restrictive immigration policies may create labor shortages in many industries that rely on seasonal immigrant workers. Further, there may be in an increase in penalties for employers who continue to use undocumented workers.

With respect to independent contractors, the prior administration made it more difficult to qualify as an independent contractor. The current administration may revert back to prior standards resulting in an increase in those classified as ICs.

Fiduciary Liability

Fiduciary Liability remains an underutilized coverage. With more companies converting to ESOPs, carriers are seeing an increase in submissions and binding activity. The market has seen growing legal concerns with respect to excessive fees and prohibited transactions.

Consumers should make it a standard annual practice to review all fees associated with the administration of benefit plans and any third-party providers to ensure they are reasonable. For any company not currently purchasing Fiduciary, now is the time, as capacity is adequate and premiums are stable.

Cyber

Crowdstrike's 2025 Global Threat Report suggested that the average time for threat actors to penetrate a network reached an all-time low at 48 minutes in 2024, down from 52 minutes in 2023. Further, the fastest time observed was only 51 seconds. Voice phishing and social engineering remain high risk, with many insureds from a variety of verticals falling victim daily. Staying a step ahead of the bad guy is proving more difficult. Current cyber threats include "interactive intrusion" techniques. Unlike prior malware attacks, these intrusions utilize humans portraying legitimate system users and administrators and are increasingly difficult to detect. Being proactive remains key, which includes periodic security awareness training for all employees, as it is estimated that 95% of cyber incidents are the direct result of human error. Companies should prepare and strengthen their defenses against cyberattacks regularly. The use of MFA and password protection remains critical. Data at rest and in transit should remain encrypted, and critical data should be backed up regularly. Endpoint Detection and Response tools can detect malicious behavior and respond to threats quickly.

Most carriers have maintained a tight underwriting posture but rewarded consumers with flat and decreasing cyber premiums. Insurers are beginning to take notice of Artificial Intelligence. AI has been proven to aid in risk and security management but also leveraged by threat actors in cyberattacks. Many carriers are already starting to inquire about the use of AI by insureds. Some carriers offer better rates and terms to insureds using AI tools effectively to mitigate cyber exposure.

The evolving marketplace has led to an expansion of coverage, including monoline social engineering/cybercrime policies to increase the sublimits of coverage offered by many carriers. Clients with secondary controls and concrete policies and procedures can receive preferential rates and limits of coverage.

SENTINEL PREPAID LEGAL SERVICES

Jacqueline C. Hawkins, esq.
Managing Partner, Executive Legal Services

The Prepaid Legal Services Plan encompasses Employment Law, Human Resources, and Contractual Risk Transfer. This offering is designed to provide added depth and resource for your internal infrastructure.

Sentinel intentionally partnered with an independent, local, licensed North Carolina Attorney, Jacqueline C. Hawkins of Executive Legal, to serve clients in an engaged capacity for employment and contract related advice, guidance, and counsel.

The Prepaid Legal Services Plan is broken down into multiple tiers, billed on a prepaid, quarterly basis. Members may modify their plan selection at the end of each quarter with each incremental plan selection, requiring a minimum of 4 quarters participation before selecting a lower-tiered plan.

Human Resources
- Talent Management
- Job Analysis
- Performance Management
- Compensation Analysis
- Organizational & Employee Surveys
- Orientation Planning
- Terminations
- Talent Acquisition
- Job Descriptions
- Onboarding
- Candidate Assessment

Employment Law
- Legal Advice on Compliance Related Matters
- FMLA
- OSHA
- Policy & Procedure Review
- Wage & Hour
- Employee Handbook Review

Toolbox
- Sample Employment Agreements
- Sample Job Description Template
- Sample Independent Contract Agreement
- Sample Subcontract Agreement
- Access to Summary
- Resource Content

Contractual Risk Transfer
- Subcontract Agreements
- Lease Agreements
- Purchase Agreements
- Vendor Agreements

Workplace Document Review
- Non-Compete Agreements
- Non-Solicitation Agreements
- Confidentiality/NDA

EMPLOYEE BENEFITS MARKET TRENDS

Healthcare costs in the United States are expected to continue their upward trajectory in 2025, with large employers forecasting increases between **6.6% and 7.7%**. The average projected increase is **7.0%**, according to PwC. These trends reflect sustained inflationary pressures, increased utilization, specialty drug costs, and an aging population.

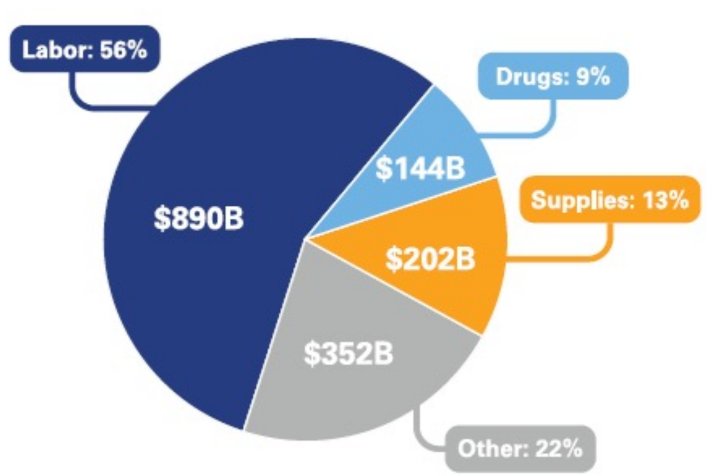
This increase is a continuation of the rising trend observed post-COVID-19, as both patients and providers adapt to a new normal. Employers are facing mounting challenges in maintaining affordable, comprehensive benefits while controlling cost growth.

KEY DRIVERS OF COST INCREASES

Broader Economic Environment
The healthcare sector continues to absorb the effects of broader inflation and labor market dynamics. Hospitals and providers are experiencing higher costs for labor, supplies, and infrastructure, while reimbursement rates lag behind. These financial strains are often transferred to payers through provider contract renegotiations, which are inflating medical costs by an estimated 0.5–1.0% in 2025 alone.

Provider consolidation further reduces competition, enabling higher negotiated reimbursement rates. Private equity-backed healthcare entities also contribute to higher costs, particularly in high-cost markets.

Labor spend still dominated hospital expenses in 2024



Note: Average expenses estimated by industry benchmark data from Strata Decision Technology, LLC. Labor is inclusive of purchased services and professional fees.

Prescription Drugs – GLP-1s and Specialty Medications
Prescription drug costs remain one of the fastest-growing expense categories. A particular focus in 2025 is on GLP-1 drugs for diabetes and weight loss (e.g., Ozempic, Wegovy), which are in high demand due to expanding medical indications like cardiovascular risk reduction. Utilization is expected to spike further, exacerbating cost pressures.

Simultaneously, new specialty and gene therapies are displacing lower-cost treatments, increasing pharmacy costs. Although biosimilars (e.g., for Humira) have entered the market, their cost-mitigating effects have been slower than expected, offering only limited relief to plan sponsors.

Increased Volume of High-Cost Claimants
A notable trend is the sharp rise in the number of high cost claimants—individuals whose healthcare costs exceed $250,000. Between 2021 and 2024, this volume increased by over 50%, driven by chronic conditions, expensive therapies (e.g., CAR-T for cancer), and an aging workforce. While severity has remained relatively stable, the frequency of high-cost claims poses serious budgeting and stop-loss concerns for employers.

Behavioral Health Utilization
Behavioral health services now constitute around 10% of total claims, with utilization rising significantly, especially among younger employees. The most common cost pattern is high-frequency, low-severity outpatient therapy visits. While positive in terms of well-being, expanded access and larger behavioral health networks are driving up unit costs.

Virtual and digital mental health platforms are increasingly used to manage these costs and improve accessibility, although integration into existing benefits remains complex.

Delayed and Increased Utilization
Healthcare utilization continues to rebound from pandemic-related deferrals. More individuals are seeking preventive care, elective procedures, and chronic condition management. This uptick contributes to rising plan costs but may reduce long-term expenses through better outcomes if managed effectively.

EMPLOYER STRATEGIES TO ADDRESS COST INCREASES

Employers are deploying a combination of tactics to manage rising costs:

- **Plan Design Adjustments**
  Including narrower networks, tiered provider structures, and reference-based pricing models.
- **GLP-1 Cost Controls**
  Employers are considering utilization management, eligibility thresholds, and engagement requirements to address short-term costs and questionable long-term value for weight loss.
- **Behavioral Health Integration**
  Investing in virtual mental health tools, carrier partnerships, and benefit navigation platforms to improve access and reduce unnecessary utilization.
- **Enhanced Stop-Loss and Risk Management**
  Employers are re-evaluating stop-loss deductibles and expanding Centers of Excellence for complex conditions to improve outcomes and mitigate large claims.
- **Data-Driven Insights**
  Employers are pushing vendors for more timely and detailed claims data to better forecast and respond to emerging trends.

The projected medical cost trend for 2025 reflects persistent systemic challenges—rising provider costs, increasing drug prices, growing chronic condition prevalence, and evolving care models. Employers must take a proactive, multi-pronged approach to control costs while maintaining competitive, employee-centered benefit offerings. Integrating innovation with thoughtful risk management will be critical to achieving sustainable cost containment in the years ahead.

SENTINEL MEDICARE AND INDIVIDUAL HEALTH INSURANCE SOLUTIONS

Are you planning to enroll in Medicare for the first time?

Are you under the age of 65 and considering early retirement?

Is your current employer-sponsored group plan too expensive to cover your dependents or family?

Are you exploring the Health Insurance Marketplace for more cost-effective coverage?

EMPLOYER STRATEGIES TO ADDRESS COST INCREASES

Individual health insurance offers value and flexibility for those who want to select plans that best fit their unique healthcare needs and budget. However, choosing individual health insurance or enrolling in a government-run program like Medicare can be a complex and challenging process.

Sentinel Medicare and Individual Health Insurance Solutions can help.

Our consultants provide education and guidance on the benefits of individual marketplace plans and Medicare to make informed decisions. We deliver dedicated support to help individuals enroll in comprehensive and cost-effective marketplace plans best suited for your individual needs.

Schedule a consultation today!

Contact Curtis Epp to learn how Sentinel Medicare and Individual Health Insurance Solutions can benefit you.

Curtis Epp, Client Executive
Office: 919.926.4649 • Cell: 984.204.9138 • cepp@sentinelra.com

OUR LEADERSHIP

James L. Holmes, Jr.
Chief Executive Officer

Jim Holmes founded Sentinel knowing that structured, measurable, and smart processes drive results. With over 20 years of professional experience in positions including Controller, Vice President of Finance, Chief Financial Officer, Director of Operations, and Chief Operating Officer at companies in the United States and abroad, Jim possesses the industry insight required to help clients protect investments, assets, and businesses. As CEO, Jim focuses on Sentinel's overall strategy and direction to ensure alignment with the firm's vision.

Nicole Wise, CPCU, CRM, CIC
President, Sentinel Risk Advisors

With more than 30 years of commercial insurance marketing experience, Nicole brings extensive knowledge and leadership to Sentinel spanning account analytics, client service plan customization, placement strategies, and customer engagement. Nicole assumed the role of President for both Sentinel Risk Advisors and Sentinel Risk Performance Group on June 1, 2025. As President, Nicole oversees all aspects of the divisions' operations, from sales and marketing to client service and administration, ensuring the firm meets its financial and operational goals.

Rob Krieg, JD, CEBS
Managing Director, Employee Benefits

Rob joined Sentinel in spring of 2023 as the firm's Managing Director of Employee Benefits. Owner of a law degree and recognized as a Certified Employee Benefits Specialist (CEBS), Rob serves as one of the lead consultants for Sentinel Benefits Consulting. He previously worked as an Area Vice President where he helped clients design, implement, and manage the employee benefit program that best met their organizational needs for recruiting, retaining, and rewarding employees. This followed more than 10 years of experience gained at Hill, Chesson & Woody first as the firm's Compliance Officer, and then as a Principal Health and Welfare Consultant.

Will Rike, CPA,
Chief Financial Officer

As our Chief Financial Officer, Will is responsible for managing the firm's financial activities, monitoring cash flow, and evaluating strengths and weaknesses to ensure financial prosperity. In addition, Will oversees the Human Resources and Information Technology departments. Will has a wealth of experience in accounting spanning over 20 years across sectors like hospitality, financial services, international private equity, and investment banking.

SENTINEL

SENTINEL

Sentinel is the independent risk management,
employee benefits, and safety consulting firm redefining what a brokerage can be,
delivering strategic, seamless protection that goes beyond policies year-round.

Our commitment to independence fuels a culture built for results,
empowering an integrated team of strategic minds to deliver holistic solutions
and the concierge experience clients deserve.

INNOVATIVE SOLUTIONS

Risk Management
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