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Employee Benefits: Why a Medical Stop Loss Captive Should be Important to You



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Healthcare Inflators

Healthcare costs continue to rise at an alarming rate

- Care is everywhere and anywhere
- Provider Mega Mergers
- Physician consolidation and employment
- Research, development, and technology



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Recurring Drivers of Healthcare Costs

- Baby Boomers....More Health Needs
- Societal: Poor Health Habits
- Inflation
- Drugs (Specialty Drugs)
- Innovation of Treatments



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What Does This Mean to You?

No Long-term Control Over Costs



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A Captive Member-Owner's Perspective

Providing employee health insurance pre-captive:

- Partially self-funded, TPA, PPO - in reality we were on our own yet treated as a stand alone plan
- Plan costs were beginning to erode company profits
- Passing escalating costs on to employees was just not acceptable
- Health care inflation: no meaningful way to rein in cost
- Parties seemed driven by only self-interest and greed



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A Captive Member-Owner's Perspective

Providing employee health insurance pre-captive:

- Costs became overwhelming
- No control, support, or solutions to provide any significant relief
- A health captive came onto our radar: Well Health Insurance, Ltd.
- Membership in a group casualty captive meant familiarity / comfort with the concept
- Decided to join with like-minded companies ready to share the stop loss layer
- A new solution for our company



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What is a Captive?

An insurance company that provides insurance to and is controlled by its owners.



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Basic Terms

Specific Stop-loss:

Protects against large, catastrophic claims incurred by a single individual. Reimburses the employer.

Aggregate Stop-loss:

Protection against abnormal frequency of claims in total, rather than abnormal severity of a single claim.

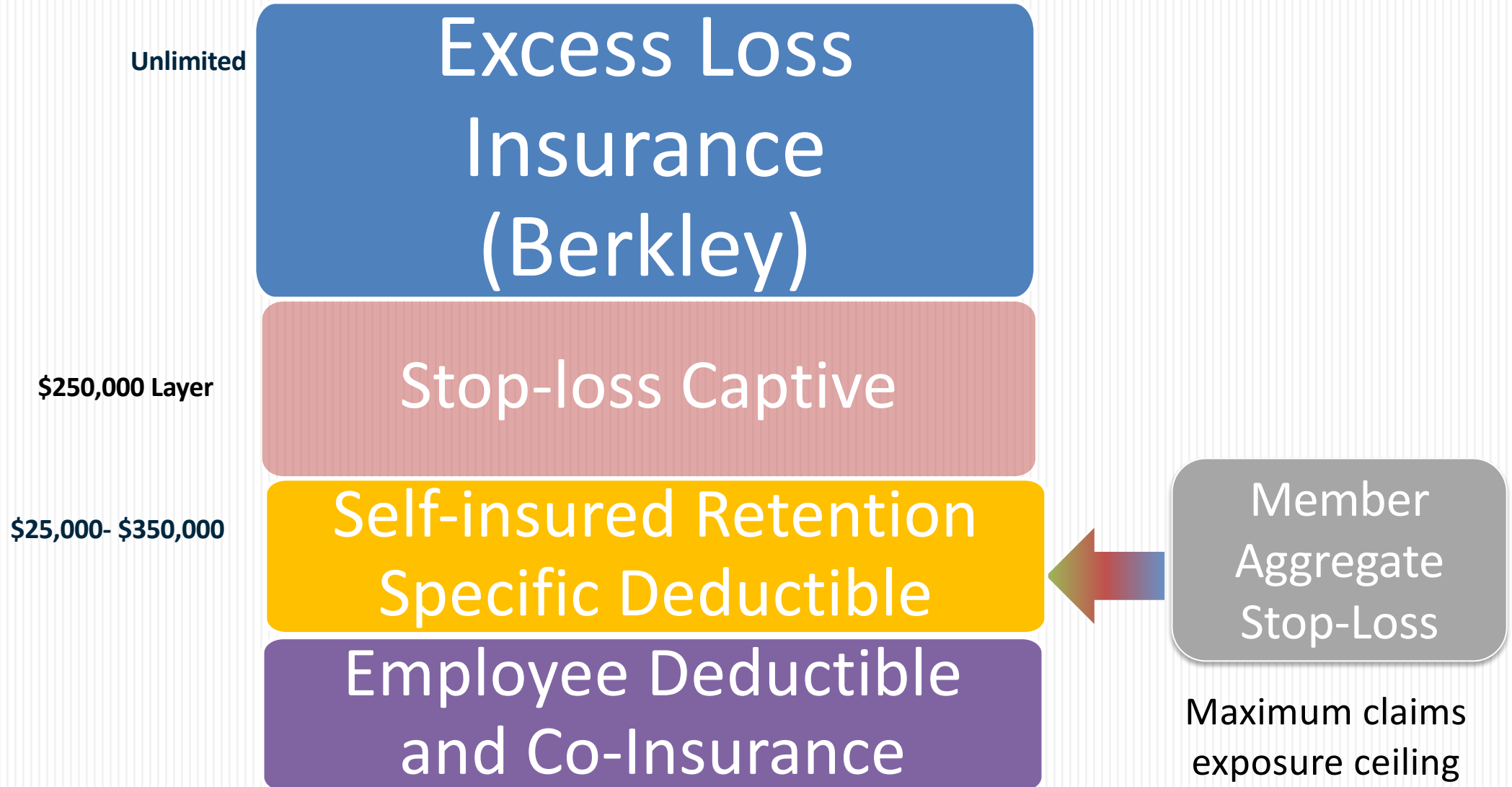


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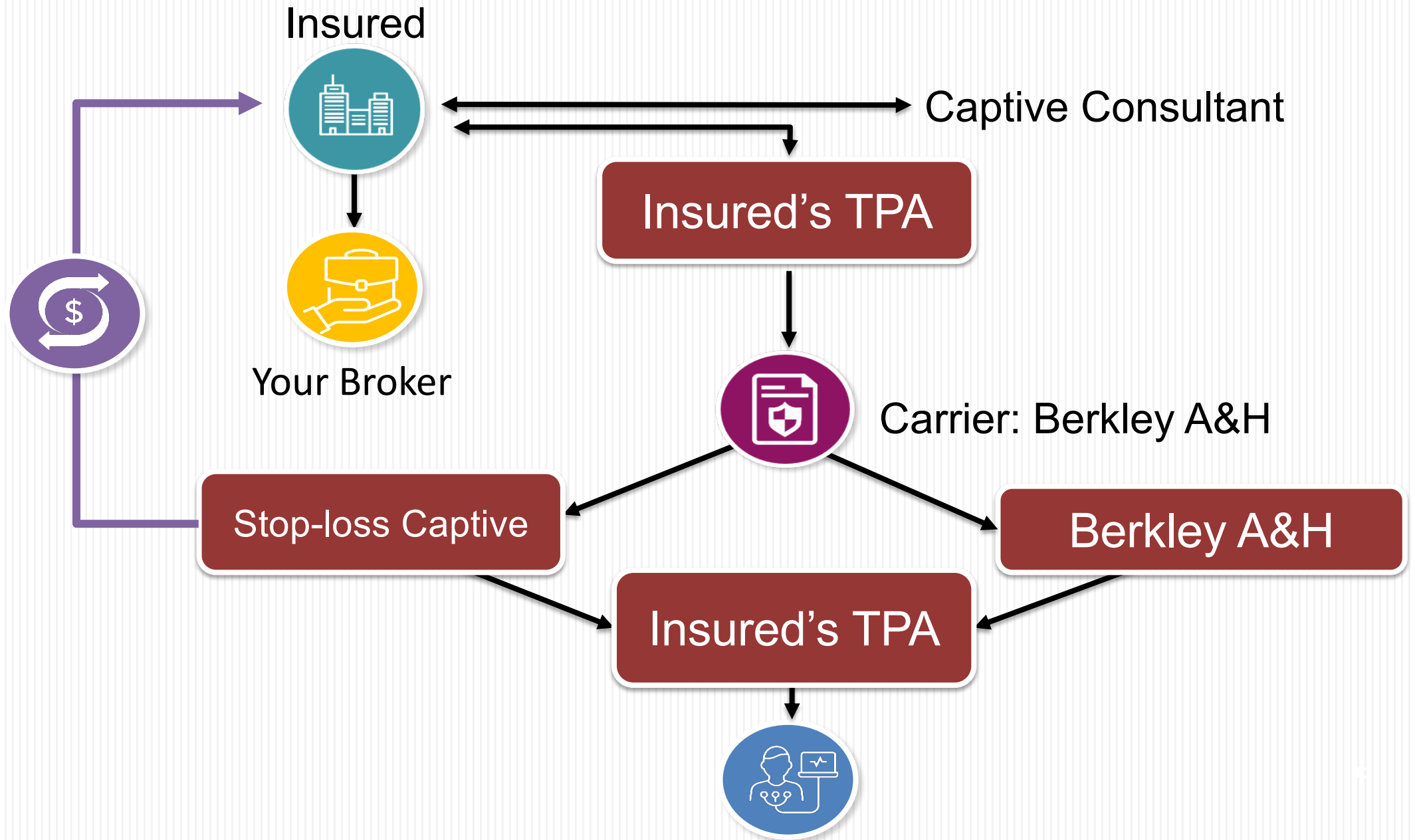
Captive Specific Stop-loss

Per Person, Per Year

Captive Structure



Captive Flow



Underwriter/Policy Issuance – Berkley Life & Health Insurance Co.

- Offers financial stability - W.R. Berkley Co. AM Best A+ XV (15)
- Underwrites new and renewal business
- Issues stop-loss policies (specific and aggregate)
- Manages stop-loss claims with TPA's
- Provides program aggregate



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Reinsurance – Berkley Life & Health Insurance Co.

- Primary reinsurer above the captive
- Fully reinsures Policy Issuing Carrier
- Provides captive aggregate stop-loss
- Provides large claim management services (Nurse Case Managers)



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Carrier Involvement in Group Captives: Why?

Top 10 Reasons:

- 1** Employers continue to migrate to self-funding
- 2** Group captives have quickly become a recognized financial strategy within the Benefits space
- 3** Golden age of innovation for solutions to support self-funded plans
- 4** Stop loss is considered a commodity, so plans focus on managing stop loss vs. price managing risk profile
- 5** Mid-market companies see the opportunity to self-fund with stop loss protection

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Carrier Involvement in Group Captives: Why?

Top 10 Reasons:

- 6** Drug spend and overall trend of high dollar claims is outpacing normal cost trends
- 7** Stop loss can be volatile; group captive creates scale and mitigates volatility
- 8** Group captive results show better overall trend and claims frequency/severity vs. traditional stop loss
- 9** Collaboration within group captive expedites and enhances the innovative spirit, further improving loss results
- 10** Intangibles: Ownership mentality, transparency on all costs, plus control and full engagement by plan members

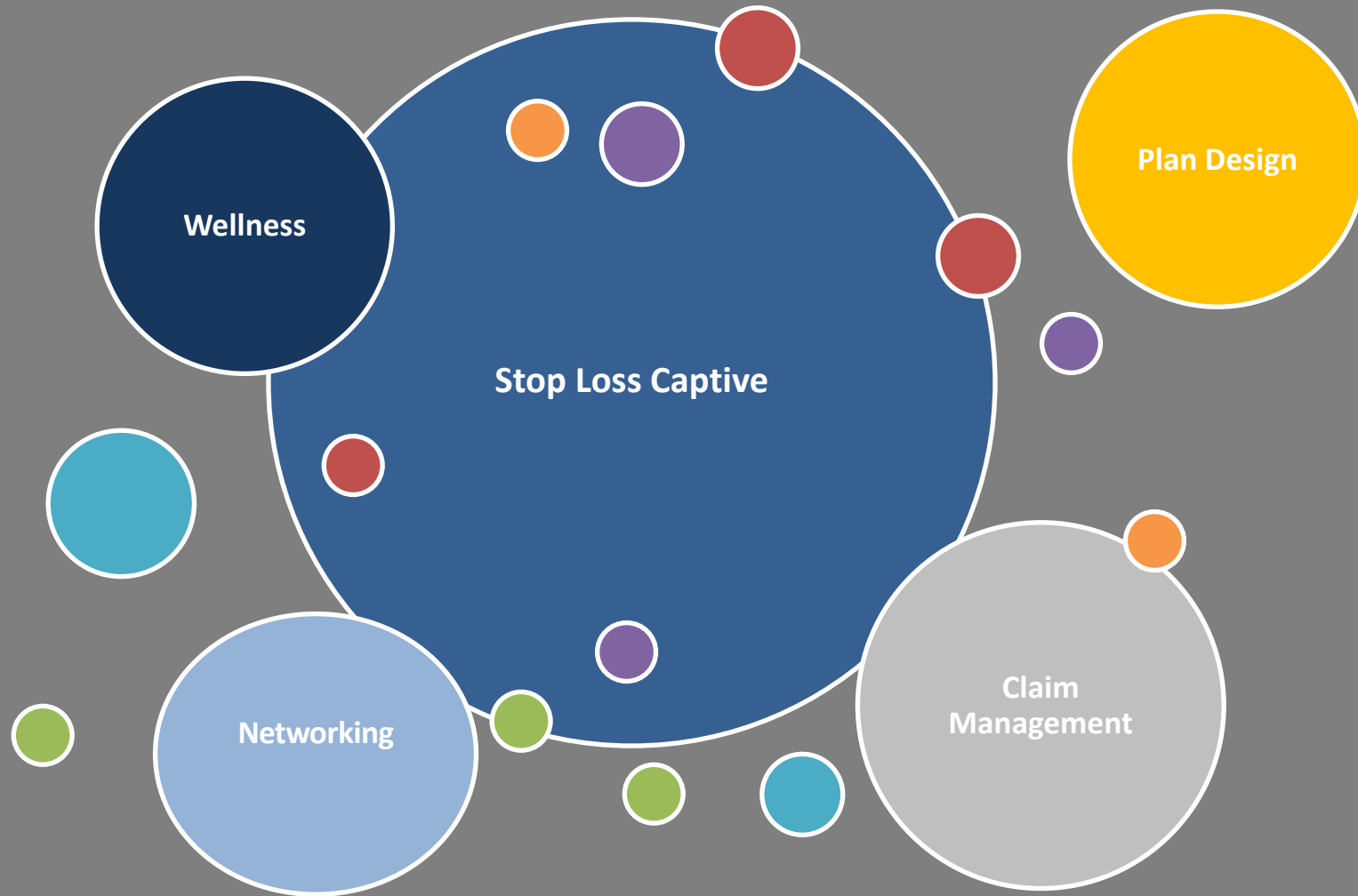


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Stop Loss Captive

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Employer's Total Healthcare Costs



Healthcare Deflators

- Care advocacy
- High performance networks
- Greater transparency
- Becoming educated consumers
- Group purchasing power



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A Captive Member-Owner's Perspective

Medical Stop-loss Captive: What is it like now?

- Our captive includes 100+ members: 50,000 lives; traction; critical mass
- Sharing best practices with other captive members is invaluable
- Access to solutions to help us maintain our Plan as an employee benefit; not just a continuous financial burden
- Teaching/training, sharing, partnering with solution providers
- Moving to robust claims database across member companies to mine the data for new cost containment solutions
- Member companies can be more competitive, more profitable, and able to provide a better benefit for employees
- It feels like “doing the right thing” on every level



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Stop-loss Captive Advantages

- Assimilate your plan design or a re-design
- Access to local, regional, and national PPO networks, with ability to select TPA
- Choice of specific stop-loss limits from \$25,000 - \$350,000
- Aggregate stop-loss protection
- Potential for significant reduction in healthcare costs with limited risk
- Dividend potential within 24 months of policy year end



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Financial Takeaways

- Be rewarded for loss activity below “expected” level
- Be rewarded for not having large losses
- Greater transparency
- Limited downside risk
- Sharing with like-minded partners



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Your Questions



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