

BUSINESS INSURANCE[®]

WORLD

CAPTIVE FORUM

Innovation in Cell Structures

#WorldCaptiveForum

JANUARY 30 – FEBRUARY 1, 2019

Our Panel

Kevin M. Doherty, Dickinson Wright PLC

Courtney W. Claflin, Executive Director-Captive Programs,
University of California

Nicholas M. Frost, President, Quest Captive Management Services

Protected Cell Captive Insurance Companies

- Concept started in Guernsey as Segregated Portfolio Companies
- Most Leading Domiciles now have a version
- Can be unincorporated or incorporated
- Assets and liabilities belong to respective individual cells

Unincorporated Protected Cell Captives

- Cells have no share ownership
- Cells have no ability to contract
- Core must enter into all agreements (including insurance policies) on behalf of cells
- Cells can obtain separate FEIN
- Cell's insureds sign a Participation Agreement

Incorporated Protected Cell Captives

- Cells can be formed as corporations, LLCs, Series LLCs, etc.
- If Series LLC, only core must be registered with Secretary of State
 - Series are formed by contract
- If LLC or corporation, each Cell will be registered with Secretary of State
 - Good standing certificates can be obtained
 - Existence can be confirmed by search of public records
- Cells have ownership shares
- Cells have capacity to contract
 - For example, reinsurance agreements between or among cells
- Cells can obtain separate FEIN
- Cell's insureds may sign a Shareholder's Agreement in addition to a Participation Agreement

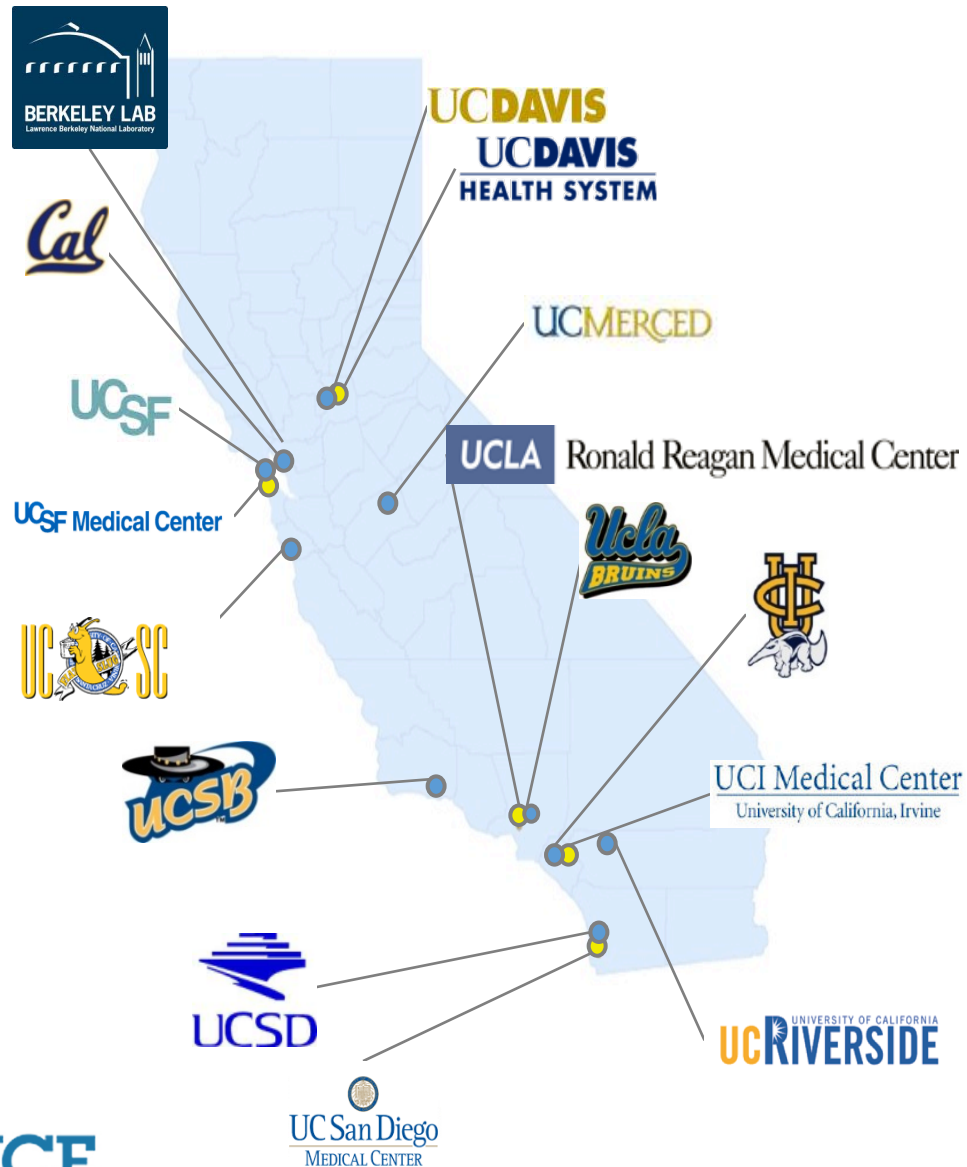
Innovative Structures and Uses

- Protected Cell Captives can have both incorporated and unincorporated cells
- Generally participants in unincorporated cells must be the insureds, and owners of incorporated cells must be the insureds
 - However, alternative ownership of incorporated cells may be approved
- Cells are often used as a stepping stone to formation of stand-alone captive
 - Process can be streamlined under most laws
- Cells can move from one protected cell captive to another

Innovative Programs for Cells

- Generally Cells are helpful whenever it is desirable to separate risk and ownership without full blown captive licenses
 - Pools of all sorts
 - Cell A insures all directly, and each other Cell reinsures with Cell A
 - Each Cell insures its owners, and each Cell reinsures with one or more other Cells
- Types of programs include:
 - Loss of Professional License
 - Coastal Property Insurance
 - Medical Professional Liability
 - Title Insurance
 - Medical Stop Loss

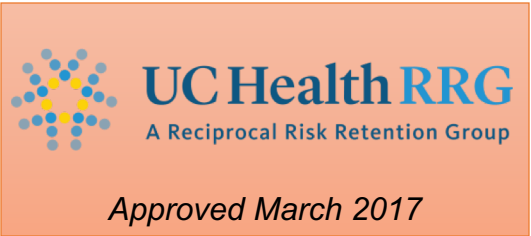
University of California



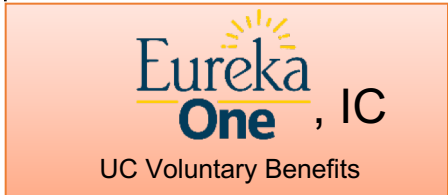
- **10** university campuses
- **\$36 Billion** Annual revenues
- **5** academic medical systems
- **3** national laboratories
- **280,000** employees
- **375,000** students
- Sports teams, stadiums, airplanes, airports, foreign ... everything imaginable



- 35+ Coverages
- Direct Issue Policies to UC
- Quota Shares
- Layers/Buffers
- Vicarious RRG Liability



- 3rd Party Medical Malpractice



Eureka, PCC
Approved September 2018

Eureka One, IC
UC Voluntary Benefits

California State University System

Other Third Party Initiatives



Third Party Initiatives under development

- Student Security Deposit Insurance
- Employee Accident, Injury, & Illness Insurance
- Faculty/Staff Personal Lines Insurance
- Alumni Personal Lines Insurance
- Student Renters Insurance
- Volunteer Accident & Medical Insurance
- Other Public Entities

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