

BUSINESS INSURANCE[®]

WORLD

CAPTIVE FORUM

Stop-Loss in Captives

#WorldCaptiveForum

JANUARY 30 – FEBRUARY 1, 2019

Our Panel

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Agenda

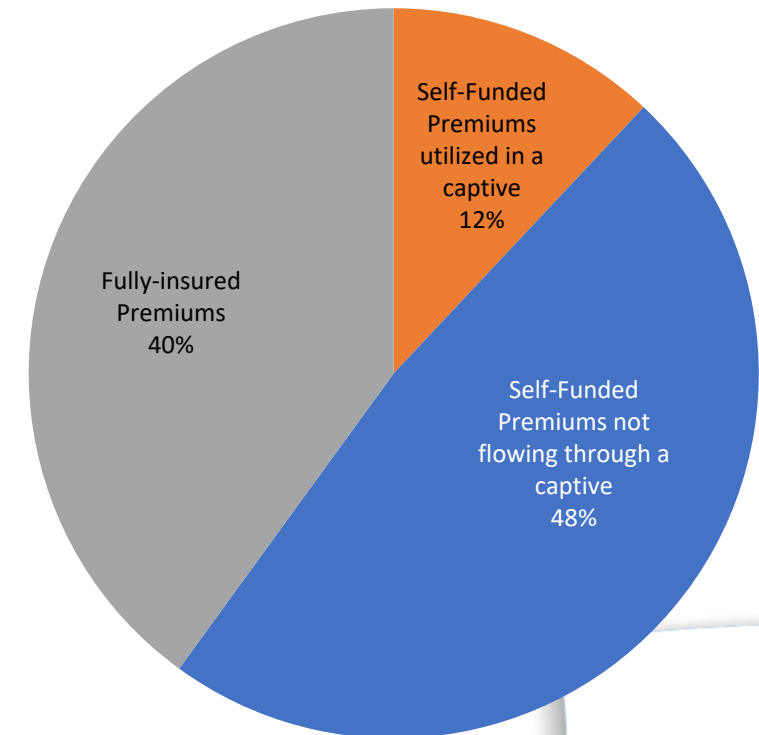
- Stop-Loss Overview
- A Large Group Case Study
- An Insurer's View: Pure Captives and Group Captives

The Current Medical Stop-Loss Landscape

- **How employers have traditionally covered medical stop loss**

- Employers that self-fund their employee benefit health and dental plans purchase stop loss coverage from a qualified insurer to protect themselves from catastrophic or unpredictably high claims;
- Insurance company is liable for losses exceeding the employer's deductible
- Two types of coverage available:
 - Specific Stop Loss
 - Aggregate Stop Loss
- Stop Loss claims are paid through reimbursements to the employer
- Now, using captives for employee benefits including healthcare is a fast growing phenomena

Split of Total Healthcare Premiums



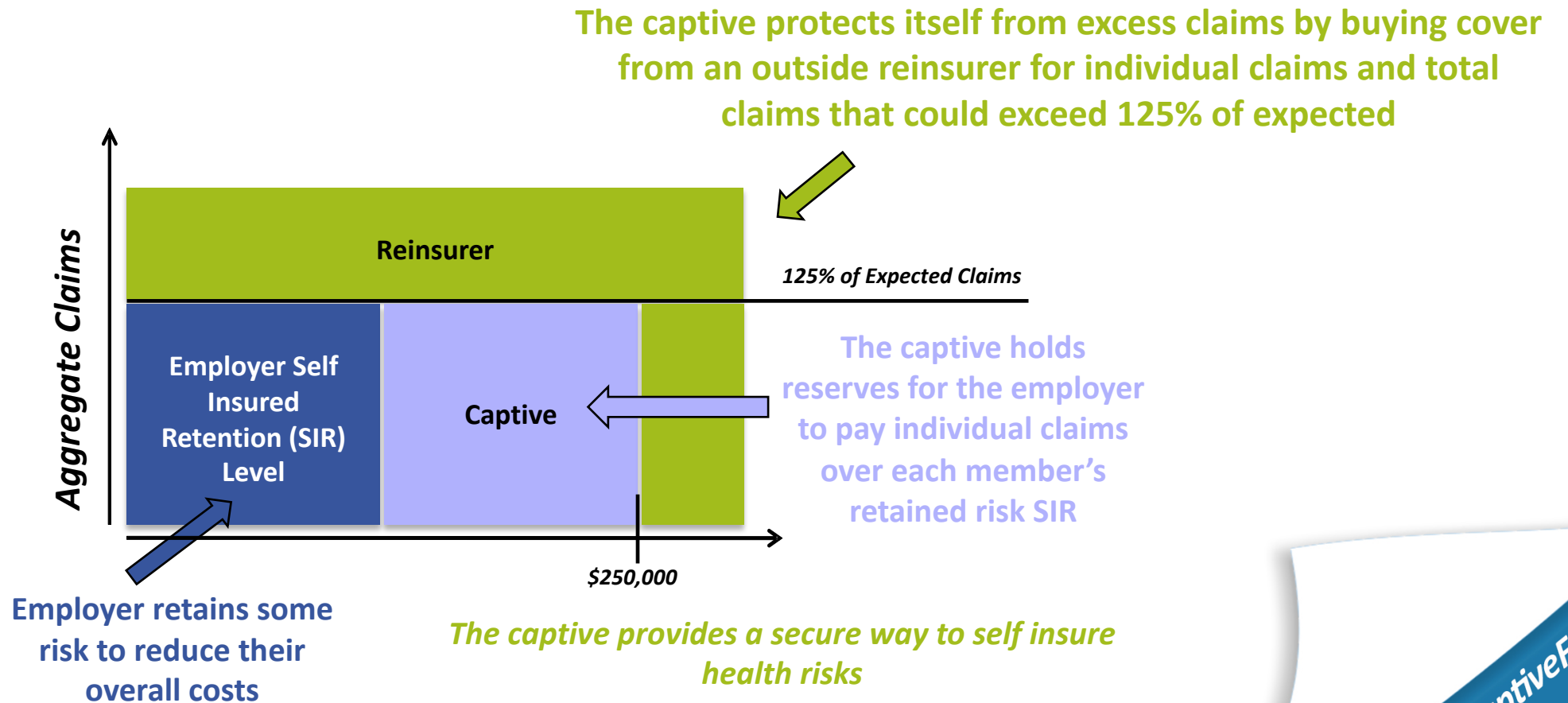
Potential Cost Savings with Medical Stop-Loss in a Captive

Fully Insured	Self-Insured	Self-Insured with Captive Stop-Loss
Advantages		
<ul style="list-style-type: none"> ■ Level budget 	<ul style="list-style-type: none"> ■ More flexibility in plan design ■ Better access to claims data to facilitate cost-effective design of benefits, wellness programs, and disease management programs ■ Direct realization of savings from wellness and disease management programs ■ Cash flow advantages ■ Information clarity ■ Lower fixed costs ■ Exempt from premium tax ■ Minimizes carrier profit ■ No minimum essential benefits ■ No participation in risk adjustment system 	<ul style="list-style-type: none"> ■ Advantages of self insurance plus: <ul style="list-style-type: none"> ● Further cost reductions ● Potential to minimize volatility ● Predictability of costs ● Potentially no lasering
Disadvantages		
<ul style="list-style-type: none"> ■ Limited carrier choices ■ Significant rate increases ■ Little control 	<ul style="list-style-type: none"> ■ Volatility ■ Lasering ■ Retain risk 	<ul style="list-style-type: none"> ■ Retain risk
Savings		
0%	11%+	10%+ on self-insured premiums

Considerations for Setting Up a Stop-Loss Captive

- **Self-insured Experience**
 - Loss ratio/lasers
- **Captive Type**
 - Pure, group, fronted, direct?
- **Domicile**
 - Where do we have an advantage?
- **Tax Issues**
 - Deductibility of premiums
 - Insurance accounting
- **Layers/ Reinsurance**
- **Captive Structure**
- **Regulatory Compliance**
 - ERISA and ACA
 - Captive regulations

Considerations for Setting Up a Stop-Loss Captive



A Case Study: Group Employer Program

- **Successful Group Medical Stop Loss Captive**
 - Employers experiencing significant rise in health care costs
 - Increased scrutiny of spending as these costs rise
 - 6 employers join up to form a group medical stop loss captive to:
 - Leverage economies of scale
 - Improve health care buying power
 - Provide efficiency in program design, administration and funding
 - Group now consists of 20 employers with more looking to join
 - Results:
 - 2018 renewals average rate increase of only 0.5% compared to 7% industry average
 - 4 members saw 2018 renewal rates either stay the same or decrease
 - Fixed costs lowered from 10.3% to 7.7% of working premium in first 18 months

Contact Us

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