

BUSINESS INSURANCE

WORLD

CAPTIVE FORUM

General Track: Three Case Studies



Hugh Rosenbaum
Willis Towers
Watson
MODERATOR



Courtney Claflin
University of California,
Office of The President



Yvonne Dilauro
Deborah Heart &
Lung Center



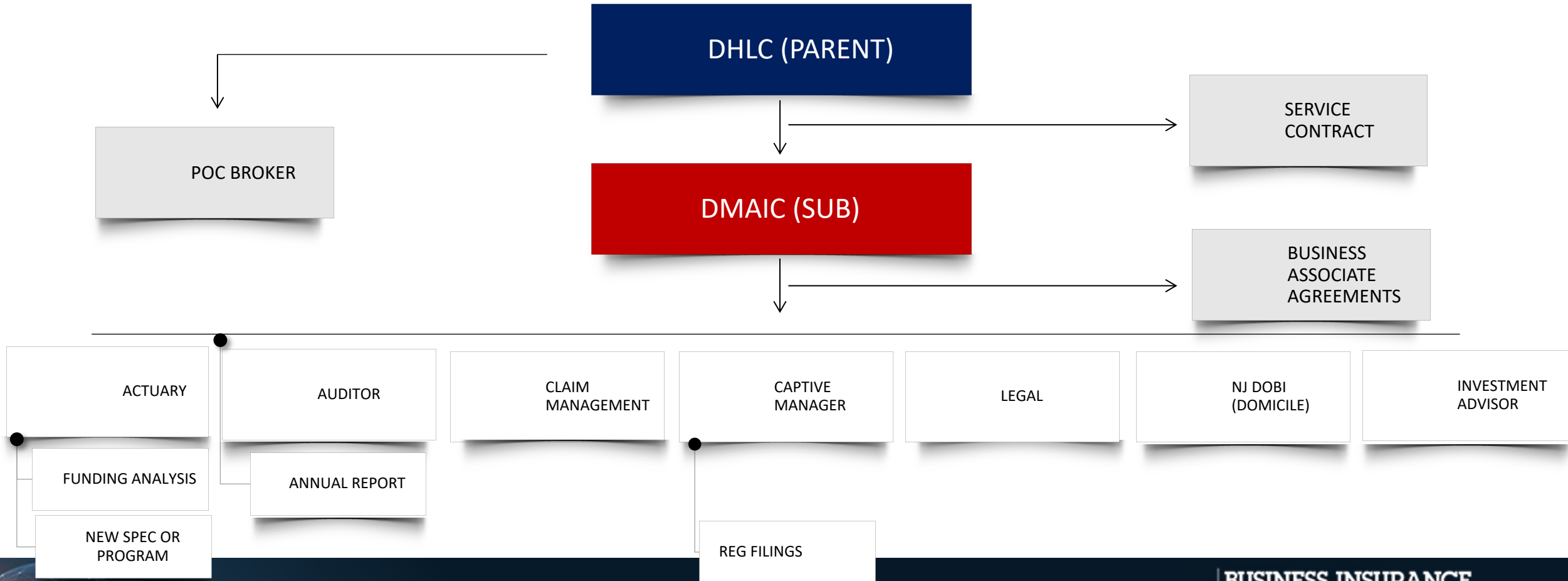
Frank Lagerstedt
CAPCO

HISTORY OF DEBORAH HEART AND LUNG CENTER



- ❖ 1922 - Dora Mooness Shapiro purchased and opened the first licensed Sanitarium – “There is no price on life”
- ❖ 1958 - First heart surgery - Dr. Charles Bailey (3-year-old)
- ❖ 1959 - First Cardiac Cath - Dr. Vladir Maranhao
- ❖ 1960's - DHLC volunteers and friends solicited support for DHLC
- ❖ 1961 - First Pacemaker - Dr. Dryden Morse
- ❖ 1977 - First Nuclear Stress Study
- ❖ 1980 - First Balloon Angioplasty
- ❖ 1981 - Visit by Gerald Ford
- ❖ 1984 - First Hospital on the East Coast/2nd in Nation to install Cine CT Scanner (view and evaluate heart in motion)
- ❖ 2019 – Affiliation with Cleveland Clinic

Organizational Chart



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Deborah medical associates insurance company, llc.



- **1988 to 2015- Self Insured Trust**
 - Occurrence Form
 - Insures Medical Malpractice for Facility and ALL Staff, including Employed Physicians
- **January 1, 2016- Effective Date of Captive**
 - Occurrence Form
 - Insures Medical Malpractice for Facility and ALL Staff, including Employed Physicians
 - For Profit LLC
 - Loss Portfolio Transfer from Self Insured Trust (SIT) to Captive
 - In part formed so that DHLC could offer insurance coverage to third party Affiliated Physicians Groups



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DMAIC, LLC.

- DOMICILE: NEW JERSEY
- INITIAL CAPITAL: \$250,000
- INITIAL SURPLUS: \$100,000
- SOLE BENEFICIAL OWNER: DEBORAH HEART AND LUNG CENTER
- ANNUAL PREMIUMS RANGE FROM \$750,000 TO \$1,000,000
- LIMITS: \$1MIL/\$3 MIL ; \$2 MIL/\$6 MIL
- POLICIES WRITTEN: 2 (1) DHLC ; 2 DCG
- RATES SET BY ACTUARY FOR DHLC, PHYSICIANS, FELLOWS, AND ALLIED STAFF
- RATES SET BY CAPTIVE INSURANCE DIRECTOR FOR AFFILIATED PHYSICIAN GROUPS
 - AVERAGE OF 3 NJ LICENSED PHYSICIAN CARRIERS BY SPECIALTY
- NO REINSURANCE – EXCESS PURCHASED IN STANDARD MARKETPLACE
- PROFIT STRATEGY – EVALUATED AND REVIEWED AT ANNUAL CAPTIVE BOARD MEETING

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DMAIC, LLC: Annual captive board meeting

❖ LOCATION: OFF SITE IN NEW JERSEY

❖ AGENDA:

- I. ANNUAL MEETING SOLE MEMBER
 - ELECT MANAGERS
- II. ANNUAL MEETING OF THE BOARD OF MANAGERS
 - APPROVE PRIOR BOARD MEETING MINUTES
 - ELECT OFFICERS
 - CONFLICT OF INTEREST STATEMENTS REVIEWED
 - SERVICE PROVIDER REAPPOINTMENTS
 - REPORT OF CAPTIVE MANAGER
 - REVIEW OF LATEST FINANCIAL STATEMENT
 - REPORT OF DIRECTOR OF FINANCE
 - REPORT OF INVESTMENT ADVISOR
 - REPORT OF CAPTIVE INSURANCE DIRECTOR
 - ✓ ADMINISTRATIVE ISSUES
 - ✓ OPERATIONS/UNDERWRITING UPDATE
 - ✓ FINANCIAL/PREMIUM ISSUES
 - ✓ CLAIMS UPDATE
 - ✓ RISK MANAGEMENT/EDUCATION
 - ✓ LEGAL ISSUES



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DMAIC, LLC.

BOARD OF MANAGERS

- 2 YEAR TERM, ELECTED ANNUALLY
- MINIMUM OF 3 MANAGERS
- PRESIDENT & CEO
- VICE PRESIDENT MEDICAL AFFAIRS
- CHIEF NURSE EXECUTIVE

OFFICERS

- VP FINANCE, DHLC
- TREASURER, DIRECTOR OF FINANCE, DHLC
- SECRETARY, COO, DHLC
- ASSISTANT SECRETARY, GENERAL COUNSEL, DHLC

CAPTIVE COMMITTEES

- FACILITATED BY CAPTIVE INSURANCE DIRECTOR
- AUDIT, FINANCE & INVESTMENT
- CLAIMS
- EXECUTIVE
- UNDERWRITING

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DMAIC, LLC

FUTURE PLANS AND CHALLENGES



- GRANTS FOR HOSPITAL BASED RISK MANAGEMENT INITIATIVES
- REVIEW OF POLICY FORM: FROM OCCURRENCE TO CLAIMS MADE + TAIL
- FUNDING OF DEDUCTIBLES IN CAPTIVE
- INCREASE IN CAPTIVE LIMITS RESULTING FROM EXCESS REQUIREMENTS
- ADDITIONAL LINES OF COVERAGE TO BE INSURED THROUGH THE CAPTIVE
- CONSIDERATION OF CAPTIVE REINSURANCE
- INCREASE IN LITIGATION



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Thank you!

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Frank Langerstedt

President

CAPCO



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Customer Asset Protection Company (CAPCO)

- Background Surrounding CAPCO Formulation
- Facility Objective and First Steps
- Initial Structure and Governance
- Some Initial Work Streams
- Regulatory Agency Approvals



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Customer Asset Protection Company (CAPCO)

- Rating Agencies
- Common Captive Issues
- The Big One - Lehman Liquidation - September 15, 2008
- Future Plans for the facility???



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Really Big Risks The Captive's Role

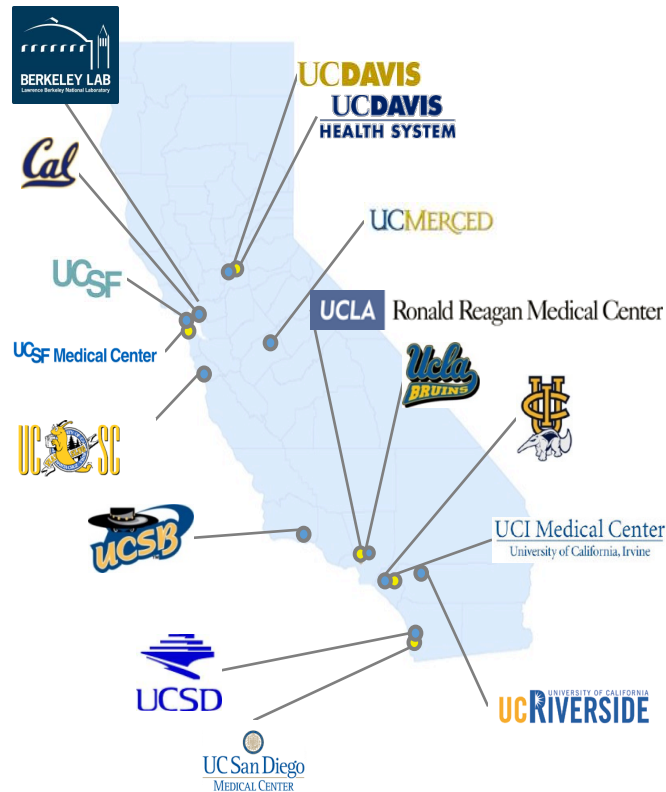
Courtney Claflin- Executive Director, Captive Programs



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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

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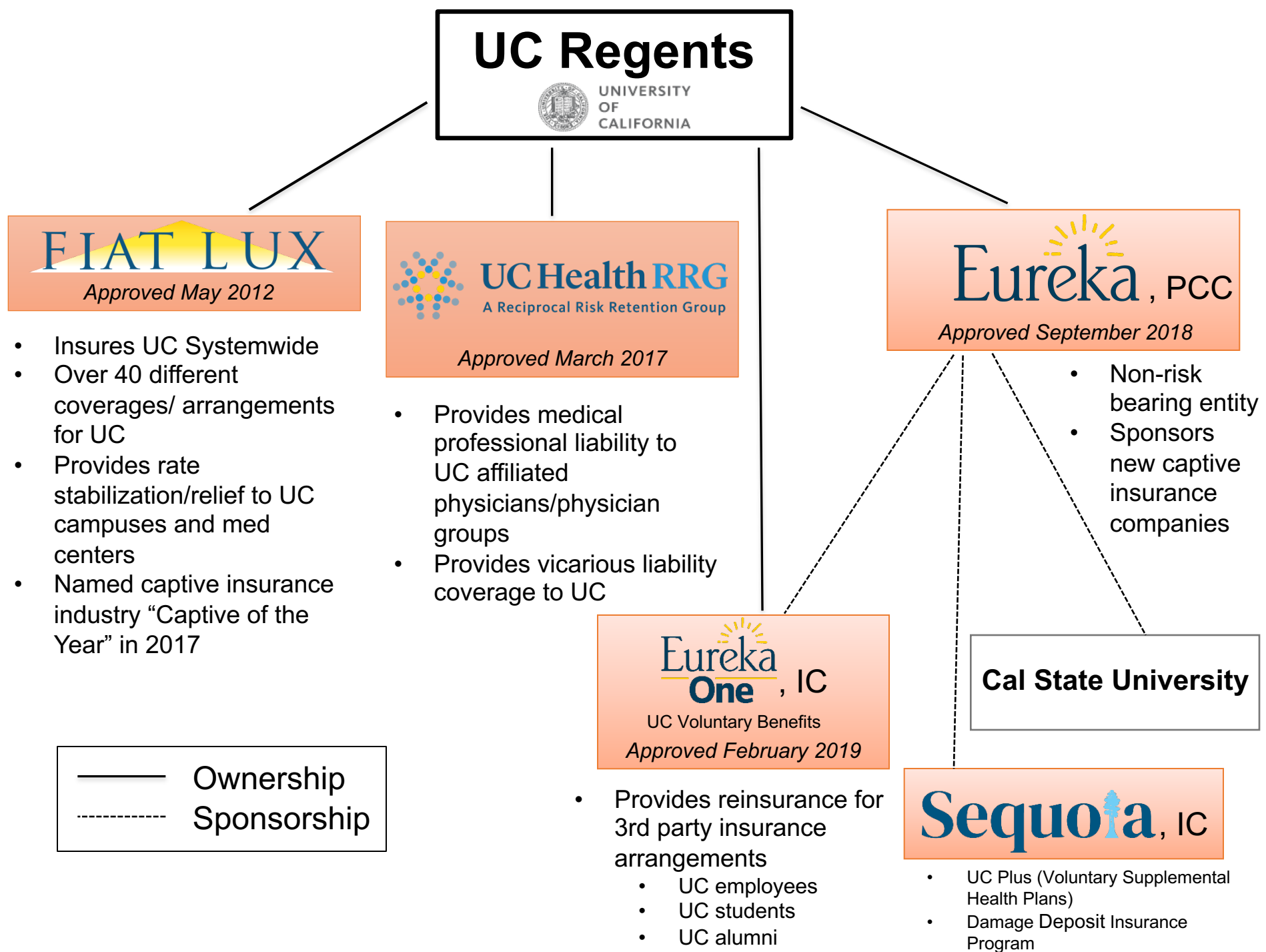
Fiat Lux Risk and Insurance Company

- Formed by UC Regents in 2012
- Domiciled in Washington DC
- Not for profit 501C3
- Single parent (pure) construct



Board of Directors	Role
Janet Napolitano	UC President
Paul Jenny	Interim UC Executive Vice President, Chief Financial Officer
Charles Robinson	UC Vice President, Chief General Counsel
Cheryl Lloyd	UC Associate Vice President, Chief Risk Officer
Rachael Nava	UC Executive Vice President, Chief Operating Officer and Chief of Staff to the President
Ronald Cortez	UCI, Vice Chancellor Administrative & Business Services
Erin Gore	Wells Fargo Higher Education & Nonprofit Banking, Executive Vice President
Jarid Beck	Risk Management Advisors Incorporated, Director

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Lines of Coverage

2. Enterprise Risk Financing

- Representations, Warranties, and Guarantees for bank loans
- Vicarious liability resulting from UC Health RRG
- OCIP investment income capture
- Student Study Abroad DCI
- Equipment Warranty
- Loss Portfolio Transfer Contract for UC legacy liabilities
- Drone liability/physical damage

3. Entrepreneurial and 3rd Party Risk

- Reinsurance on employer and employee paid life insurance
- Stop loss reinsurance on employee and student health plans
- Voluntary Accident, Critical Illness, and Hospital Indemnity for employees
- 3rd party Medical Professional Liability

1. Traditional Lines of Coverage

4. Strategic Risk Financing Arrangements

5. Projects in Development

Risks and resources

California – the biggest risks

Other UC big risks

We assume a big one of \$500m-\$1bn

External Resource possibilities



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SMART Board

The big risks

What we *must* do!

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