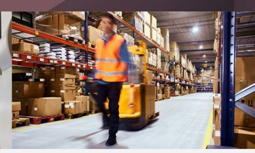
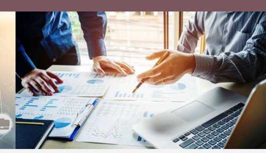
Comprehensive Solutions for Medical Stop Loss Captives





MSL CAPTIVE SOLUTIONS INC

MSL Captive Solutions is the insurance industry's only platform dedicated exclusively to the development and delivery of comprehensive insurance and service solutions for medical stop loss captives.

We operate independently to work closely with all qualified brokers, consultants and captive managers to structure customized single-parent and group captive solutions that meet the specific risk and financial objectives of their self-funded clients.

Our stop loss captive solutions are designed to achieve the most efficient balance between risk assumption and risk transfer to reduce market volatility and optimize savings.

Services

We provide a full range of unbundled underwriting and insurance management services to develop customized single-parent and group captive solutions to support the clientis specific business and financial objectives, and risk tolerances.

Our captive solutions maximize the impact of a self-insurance program to help distance employers from the market volatility associated with traditional insurance arrangements and reduce the ultimate cost of healthcare benefit delivery to employees. Our independent operating agility and exclusive focus on medical stop loss allows us to deliver market-leading captive solutions to employers.

COMPREHENSIVE (RE)INSURANCE UNDERWRITING:

MSL Captive Solutions' expert team maintains comprehensive underwriting relationships with some of the industry's leading medical stop loss carriers. Our experience, expertise and objectivity maximize our ability to analyze risk and develop the most appropriate captive structure.

- Comprehensive Risk Assessment:

  Our expert underwriting and medical risk management resources will evaluate the client's historical and current plan data to determine the most appropriate retentions, pricing and funding levels for both the captive risk layer and the MSL coverage.

- Competitive, Highly Rated Capacity:

  Our partner carriers are rated "A (Excellent)" or higher by A.M. Best and provide our ability to deliver highly competitive contract enhancements and coverage terms.

- Reinsurance and Fronted Insurance Structures

  Coverage can be assumed from a direct-issuing captive (reinsurance) or ceded to a captive (fronted) as necessitated by the program structure. Reinsurance can be structured on either an excess or proportional (quota share) basis. Fronting fees are competitive, and all NAIC-approved forms of collateralization are acceptable.

- Broad Industry Appetite:

  We can accommodate most industry classifications. Preferred, but not exclusive, sectors include the following: Healthcare, Education (Public / Private), Financial Services, Senior Living, Transportation, Manufacturing, and Wholesale/ Retail Distribution.

Group MSL Captives

While employers of all sizes are impacted by market fluctuations, smaller to medium size employers are particularly susceptible to excessive market volatility. For employers of this size, the ability to retain risk and achieve long-term stability from a self-funded health plan becomes more difficult on a stand-alone basis.

Group captives effectively provide smaller self-insurers with enhanced ability to optimize their self-funded healthcare plans. Properly structured group captives have proven to reduce costs and increase self-funded plan stability by effectively managing and broadly diffusing risk.

TYPES OF GROUP CAPTIVES

Homogeneous:

Group captives are especially effective when formed by closely aligned groups of like-minded employers within the same industry as the underlying risk and underwriting profile is similar.

Credit unions; food and beverage distribution; hospital and healthcare; higher education; hospitality; transportation; and manufacturing are examples of industry specific niches effectively served by group captives.

Heterogeneous:

Heterogeneous groups are typically comprised of a wide variety of industries and generally require a larger number of participating employers in order to achieve an appropriate spread of risk and sustainable underwriting consistency. The larger number and increased risk spread are helpful in reducing volatility caused by the differing demographics of a more diverse membership.

High-Performance:

High-performance group captives can be either heterogeneous or homogenous.

As its name would imply, a high-performance captive would be open only to established self-insurers with a consistent track record of exceeding specific performance benchmarks. A grouping of mid-sized high-performing self-insurers can further enhance the ability to hedge market and claims volatility, reduce plan expenses, and produce increased surplus margin advantages to members.

Preferred Group Captive Profile:

- Minimum MSL Premium for inception: $1,500,000
- Minimum number of employee lives for inception: 1,500
- Minimum number of participating employer members: Five
- Minimum individual member employer size: 50 employees (fewer by exception)
- Membership comprised primarily of existing self-insurers with credible experience data
- A commitment to risk control initiatives

Success for a group captive is truly predicated on the quality and engagement levels of its membership. The increased collaboration and engagement among a grouping of like-minded employers provides the platform for leveraging innovation in plan design, proactive risk control and cost mitigation initiatives. A more discerning approach to membership selectivity and a more active risk management engagement of members is likely to yield superior performance results.

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Single-Parent MSL Captives

Single-parent captives are typically established by large employers having more than 1,000 employees; And more than 90% of employers this size self- fund their employee healthcare benefits. The addition of medical stop loss (MSL) is among the easiest and most efficient ways of expanding the use of a single-parent captive.

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Single-Parent Captive Structures:

There are three basic structures for a single-parent MSL captive.

- **Captive direct issue:** The captive direct issues a policy for the entire coverage amount, e.g., Unlimited excess of $500,000. The captive then transfers the layer of risk that it does not wish to retain to a reinsurer, e.g., Unlimited excess of $1M.
- **Captive issued with MSL Policy:** The captive direct issues a policy for only the amount of its retained risk layer, e.g., $250K excess of $500K. The captive (or employer) then purchases a traditional MSL policy for the remainder of the risk provided by the self-funded plan, e.g., Unlimited excess of $750K.
- **Fronted MSL Policy:** The employer purchases a traditional MSL policy for the full amount of risk, e.g., Unlimited excess of $500K. The MSL carrier then cedes a layer of policy risk to the captive, e.g., $250K excess of $500K. This fronted approach requires collateralization for the risk layer assumed by the captive, which may also incur additional ceding/front fees.

Advantages Of A Single-Parent Captive

Risk diversification

MSL is typically added to a captive that has been established for other coverage lines. As a short-tail line of business, MSL can serve as an effective risk and financial hedge by providing beneficial diversificition of a captive's coverage portfolio.

Establish and build reserves

It is imperative for a captive to have funding set aside to absorb large ongoing claims. Establishing reserves will also allow the captive to gradually assume greater amounts of risk and further distance the employer from market volatility.

Enhanced cash flow management

Converting segments of retained risk into layers of MSL coverage and formalizing the funding of those layers in the form of regular or monthly premiums is more efficient from a budgetary reporting and accounting perspective than simply paying claims out of general assets or funding through a trust.

Recognize and deploy surplus more efficiently

Accumulated surplus derived from underwriting profit and investment gains can be efficiently deployed in any number of ways: offset future costs, expand benefits, reduce employee contributions, held in reserve for future claims, or returned as dividends to the parent.

Highly efficient structure

Since MSL is not a mandated coverage, no fronting carrier is required. The captive can manuscript and direct-issue its own MSL policy to the parent/employer. With no fronting carrier, collateralization requirements are eliminated. The direct-issue structure contributes to a significant reduction in the overall expense structure to promote greater profitability for the captive.

Preferred Single-Parent Captive Profile:

- 1,000 employee lives
- Minimum MSL Premium: $1,000,000
- A commitment to risk control initiatives

Captive Layer Insurance Management

As an actual insurance company, a captive is expected to adhere to the same operating and reporting requirements of conventional insurance companies. Most single-parent captives are not equipped to perform these critical operational functions. MSL Captive Solutions can deliver these services on a bundled or ad hoc basis as needed by the captive.

Pricing for each service component is determined by the amount of premium and the layer of risk retained by the captive.

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WE PROVIDE ALL THE OPERATING AND REPORTING FUNCTIONS

UNDERWRITING:

Our expert underwriting team will price the layer of MSL coverage assumed as insurance by the captive. This will ensure appropriate funding for the captive layer as well as satisfy applicable regulatory compliance.

POLICY MANUSCRIPT:

A direct-issuing captive is required to issue a formal MSL policy. We will manuscript the policy to be issued by the captive to ensure that it mirrors the employer's plan document. This will maximize continuity between coverage documents and reduce coverage conflicts.

MEDICAL REVIEW:

Our medical review resources provides oversight of all claims that could breach the captive's retained risk layer. Our proactive involvement can significantly reduce the severity of claims and provide an impactful safeguard to the captive.

RESERVE ESTIMATES:

We will recommend appropriate reserves for known claimants within the captive's retained risk layers. We will also analyze data to identify claims trends and cost drivers. Appropriate reserve management is essential to operational and capitalization planning, and efficient surplus management.

REIMBURSEMENT AUDIT:

MSL will review all captive-layer claims to determine appropriateness and issue a formal Advice to Pay to the captive along with an Explanation of Reimbursement for the captive parent. The formalization of this process ensures claims accuracy and provides essential regulatory documentation.

MONTHLY REPORTING:

We will prepare detailed monthly reporting for the captive layer. This typically includes premium detail, specific claims, potential captive claims notifications, reimbursements, recommended reserves and loss ratios. Accurate and timely reporting are essential to the successful operation of a captive. Our comprehensive service platform will provide all of the captive's stakeholders with the detailed information needed to make informed operational decisions to optimize the performance and effectiveness of a captive.

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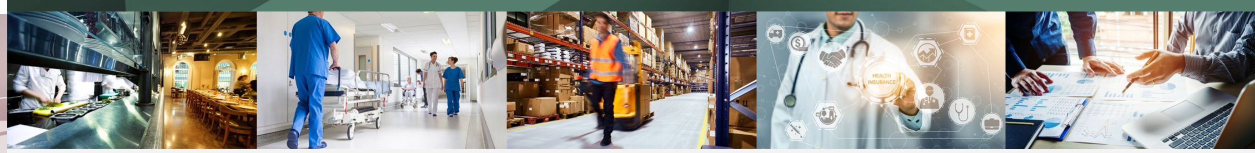

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