

## Captive Solutions for the Healthcare Industry

### Challenge

A for profit nursing home facility, with 26 homes under common ownership, placed its Workers' Compensation insurance with a state sponsored Self Insured Group (SIG). Although risks were pooled in the SIG, each participant received first dollar insurance policies. The insured's loss experience was favorable, yet it received occasional assessments because of the poor experience of other SIG participants. The insured paid in excess of \$2,500,000 in premiums and consequently was one of the largest pool participants.

### Goal

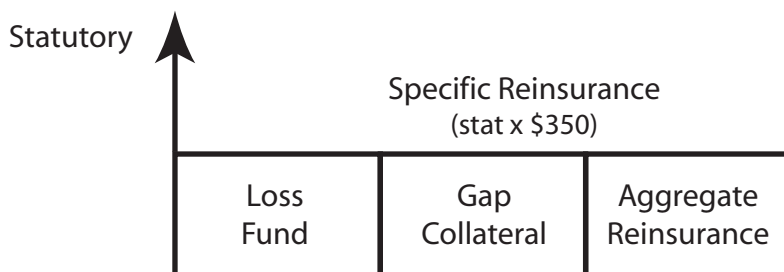
The nursing home facility's goal was to maintain an existing guaranteed cost policy structure, but preferred to no longer participate in an assessable Self Insured Group. The CFO, working with ICS and the broker, determined the facility was in a strong position to assume its own risk in order to further control Workers' Compensation losses and potentially benefit from underwriting profit.

### Solution

The solution was a rental captive program with an A rated insurance carrier. The insured receives a guaranteed cost Workers' Compensation policy and cedes the first \$350,000 of loss to a Bermuda-based segregated cell rental captive. The carrier provides both statutory excess and aggregate stop loss reinsurance protection to the insured. Two years after policy inception, the insured has a loss ratio of 35 percent for the first program year and is receiving a dividend for 25 percent of its underwriting profit.

### Benefits

- ✓ Pricing Stability
- ✓ Guaranteed Cost Policy Structure
- ✓ Unbundled Claims and Loss Control
- ✓ Potential for Future Underwriting Profit Distribution



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