

Carrier Liquidation Liabilities for Medical Professionals

Challenge

A not-for-profit corporation operating a multi-facility healthcare system approached ICS to explore various ways in which captive insurance could be used to improve the way they managed their retained risk. The focus of our analysis was on outstanding medical professional liabilities under policies of insurance purchased from a Reciprocal now in liquidation. The corporation's outstanding liabilities were sizable and they had no way of budgeting or allocating the cost of the liabilities among its facilities.

Goal

The goal was to improve the management of retained risk and to transfer the outstanding liabilities.

Solution

The solution was to create an affiliated captive program, allowing the client to transfer 100 percent of the outstanding reciprocal liabilities to the captive in the first year and having the captive issue a "claims made" policy.

The captive used the most recent actuarial report to pre-fund the estimated non-recoverable medical professional liabilities, including IBNR. To provide the most effective method of transferring liability from the client, the captive was set up to issue a claims-made policy with a single premium payable in the first year. The policy then reimburses the client for unrecoverable reciprocal losses/claims made after the retroactive date, up to an aggregate limit equal to the client's 90 percent confidence level gross loss reserve.

Benefits

- ✓ Capability to absorb adverse losses
- ✓ Reimbursement for unrecoverable reciprocal losses
- ✓ Single fixed premium payment
- ✓ Improved budgetary stability
- ✓ Allocation of costs to facilities, based on exposure and loss history

Dana Marino
(p) 484.690.3603
dmarino@yourcaptive.com

West Des Moines
3001 Westown Parkway
West Des Moines, IA 50266
(p) 888.753.9254
(f) 515.221.8888

Philadelphia
150 S. Warner Road, Suite 100
King of Prussia, PA 19406
(p) 484.690.3601
(f) 484.690.3636

Vermont
67 Suncrest Terrace
Colchester, VT 05446
(p) 802.872.8104

www.yourcaptive.com