# MEDICAL STOP LOSS

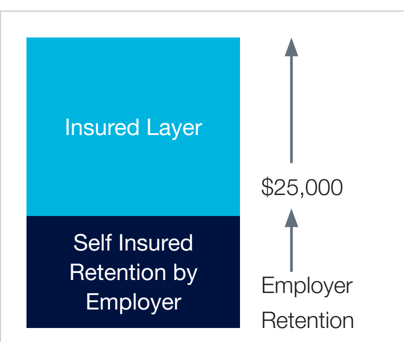
CAPTIVE SOLUTION PRODUCT INFORMATION

## THE SELF-INSURED CONCEPT

As healthcare costs continue to rise, companies continue to search for solutions that will improve risk management and reduce expenses. While the debate continues within the U.S. administration, companies believe their only alternatives are to cut benefits or increase employee contributions. Neither option is palatable to many human resources departments and risk managers. However, captive insurance may provide an option to customize a risk transfer method that improves the financial management of many employer-sponsored health plans.

Companies that self-insure are well aware of the most widely utilized alternative for managing an employee medical benefit plan: Medical stop loss. Its benefit to pay-as-you-go or on a pre-funded basis to finance the plan and purchase stop loss coverage can protect employers against bad experience and large claims.

Companies that fully insure need to understand the migration from fully insured to self-insured. The concept of a self -insured retention (SIR) is similar to the deductible contained in fully insured policies. The employer retains a portion of the risk and transfers risk above a set retention amount. See the following chart for a self-insured medical program example.




The self-insured layer in this example is the amount retained by the employer. Claims above the $25,000 retention are paid by the commercial insurance partner.

### CAPTIVE SOLUTIONS

Large and small employers alike can avail themselves of captive benefits while focusing on cost containment strategies for their employees' benefits.

For employers having similar risk, forming a group captive to share the health plan risk may be advantageous for numerous reasons. They maximize the financial leverage by pooling or sharing risk, for example, group captives insuring medical stop loss by implementing and following a defined wellness plan can help reduce and prevent claims. In addition, groups typically employ a third party administrator (TPA) to ensure best in class case management. Large employers can also pool their health costs within their existing property and casualty captive to capture cost savings.

FOR FURTHER INFORMATION REGARDING DEDUCTIBLE BUY-BACK CAPTIVE SOLUTIONS PLEASE CONTACT: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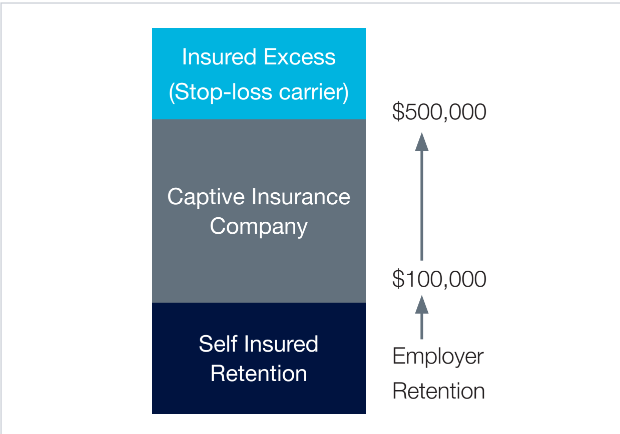
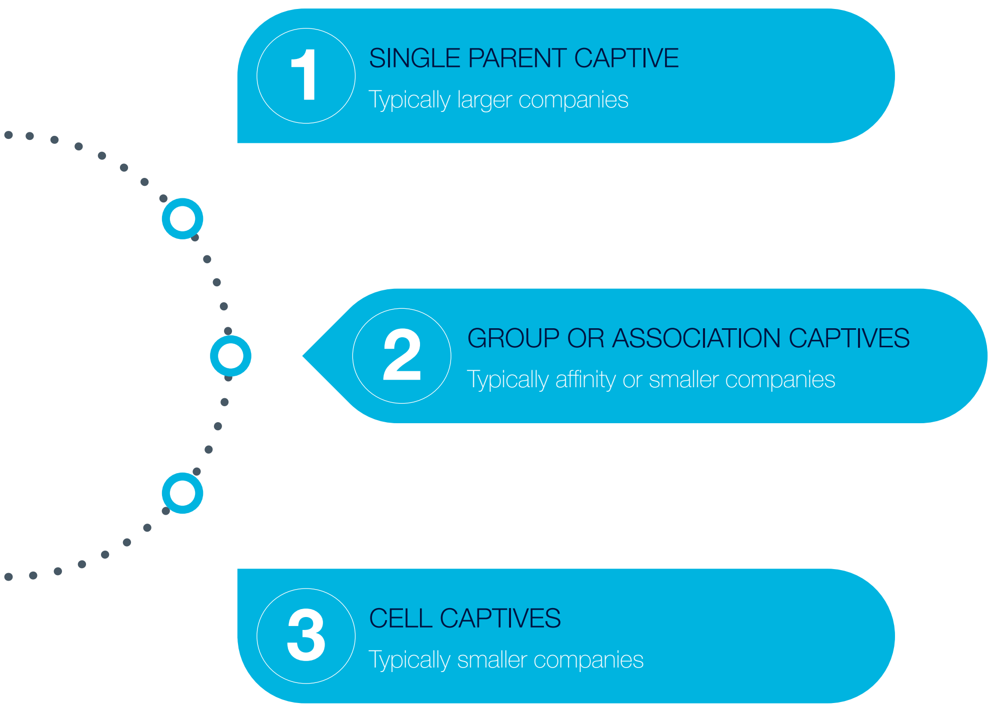



There are other similarities of purchasing stop loss from a captive insurance company. Neither purchase has an impact on plan participants. Also, attachment points will vary based upon each company's specified retention, actuarial analysis of prior history, the financial goals of the captive and the appetite for risk partnering by the reinsurance stop loss carriers.

## TYPES OF CAPTIVE OPTIONS FOR DEDUCTIBLE BUY BACK PROGRAM




## CELL CAPTIVES PROVIDE FLEXIBILITY AND LEVERAGE

Sponsored cell captives are ideal for many types of alternative risk transactions, making them ideal for financing stop-loss risk and lowering the cost of entry to middle-market companies, smaller companies and groups. For single-purpose reinsurance, a cell facility also provides easy access to reinsurance markets. JLT Insurance Management's latest captive cell facility, Isosceles Insurance Company, Ltd, was launched in 2016 in Vermont. JLTIM also has Isosceles cell facility options available in Guernsey, Barbados and Bermuda.

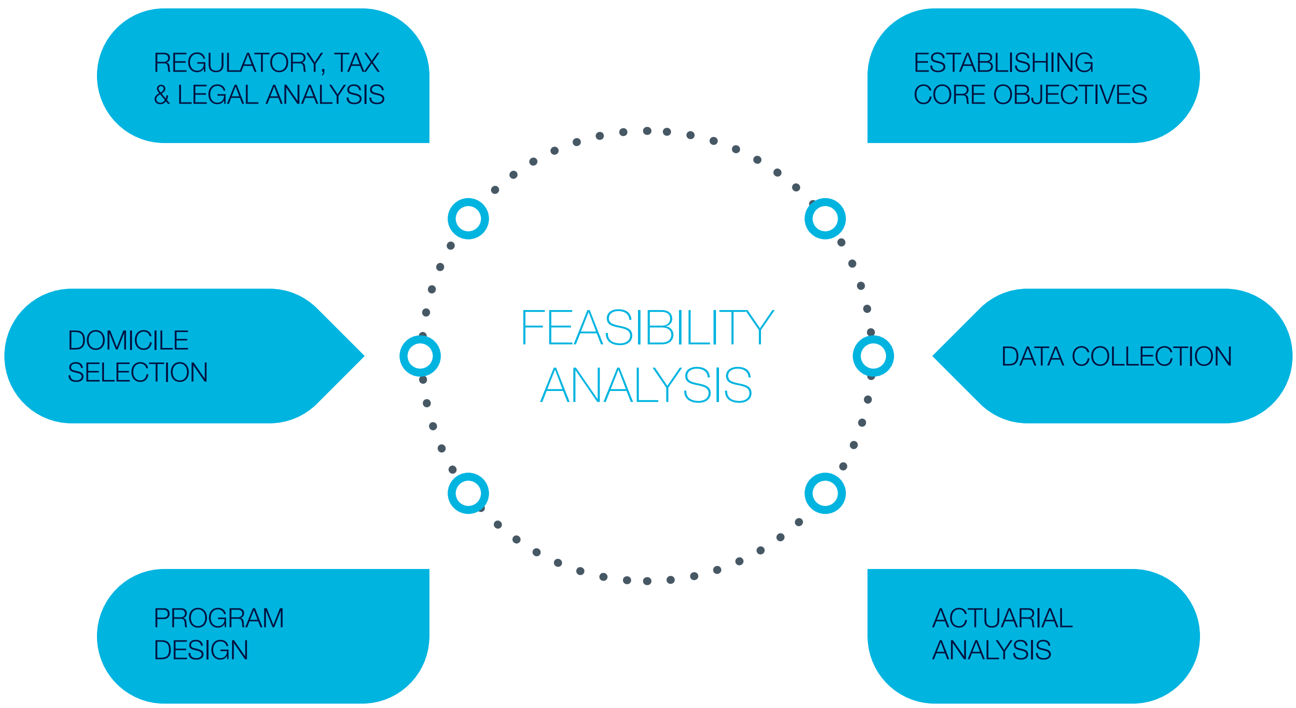
## NEXT STEPS FOR CAPTIVE EXPLORATION

Exploring the best option for your organization entails a feasibility analysis to determine the appropriate level of funding for medical costs incurred by your benefit plan. The process typically starts with a captive feasibility study kick-off meeting, in which we will work with key stakeholders to discuss the dynamics of captive programs, establish assumptions and parameters for our analysis and evaluate the potential ownership, structural and insurance company status dynamics for the captive.

The meeting will focus on:

- Review of current insurance program and discussion of potential captive cost savings;
- Parameter setting, including assumptions to make in the absence of reliable data;
- Third party service provider engagement, if needed;
- Preparation of a list of issues and questions for tax and legal counsel;
- Confirmation of project steps, timelines and activities;
- Corporate overview, and dynamics of structure, ownership and tax status of subject risk;
- Preview of financial assumptions for overall analysis; and
- Preview of domicile considerations.

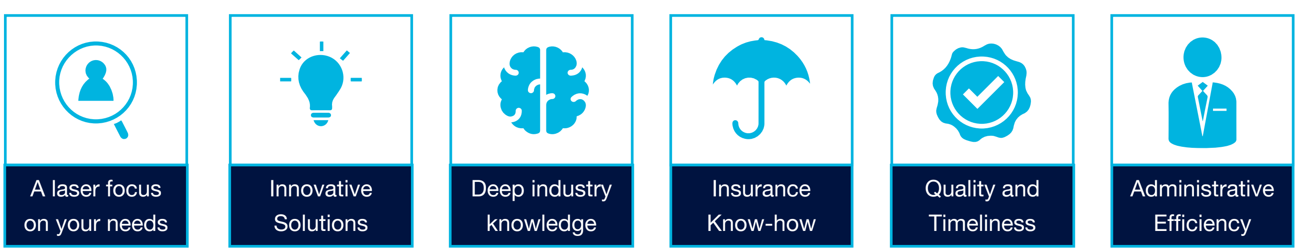
This chart encompasses all aspects of a full feasibility analysis. We will partner with legal and/or tax expertise of your choice and will work in collaboration with them to achieve a framework for developing the captive concept.




## SUMMARY

Ideal captive candidates for medical stop loss are those employer groups that are willing to share the risks and rewards of their benefit plan liability while actively managing expenses for the best cost containment. Captive participation can improve access to data and increase the ability to analyze and change behavior and outcomes. Incorporating proactive risk management strategies to your medical cost drivers can also enhance organizational efficiencies and employee behavior.

## OUR BUSINESS PHILOSOPHY



JLT provides insurance broking, risk management and claims consulting services to large and international companies. Our success comes from focusing on sectors where we know we can make the greatest difference – using insight, intelligence and imagination to provide expert advice and robust – often unique – solutions. We build partner teams to work side-by-side with you, our network and the market to deliver responses which are carefully considered from all angles.

JLT Insurance Management forms part of the Jardine Lloyd Thompson Group of companies, one of the world's leading providers of insurance, reinsurance and employee benefits related advice, brokerage and associated services. We have offices in 40 countries and territories with some 10,000 employees. Supported by the JLT International Network, we service clients in 135 countries.

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