

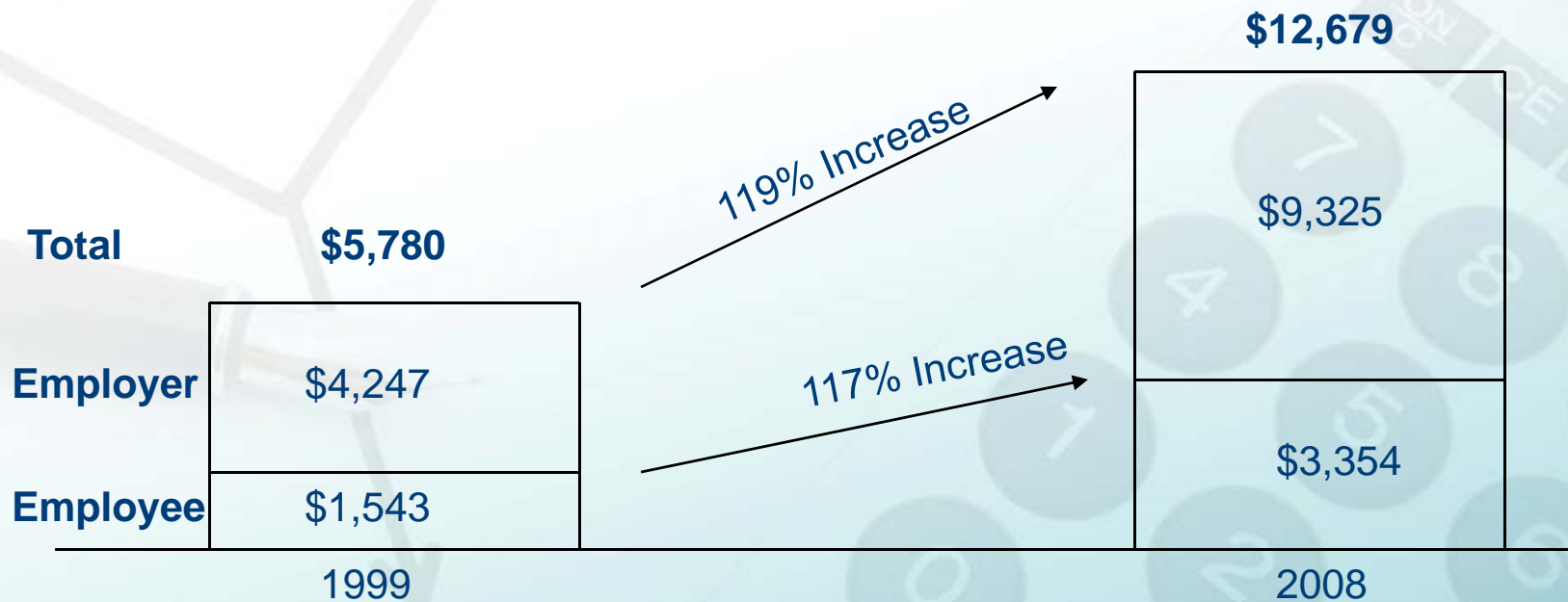
# Group Health Cell Captives

**RISK**



# Exploding Employee Benefit Costs

## Average Employee Benefits Costs 1999 - 2008



Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999-2008

# Insurance Mega-trends

- ***The big one...the continual movement by organizations into the alternative risk transfer (ART) market, namely through the use of captives, self insurance, risk retention groups and large deductibles.***

Dr. Robert Hartwig, President, Insurance Information Institute  
"The End of Insurance?" ROUGH NOTES, Mar 30, 2009

# Why ART for Employee Benefits?

- Gives employers cost control options not available through traditional benefits insurance
- Reduces administrative costs
- Gives employees financial incentives for healthier lifestyles
- Rewards employees for selective use of health care services
- Provides disease management opportunities such as preventive health care based on Employee Lifestyle Questionnaires

# Actual Claims vs Expected Claims

## Actual Claims Exceed Expected Claims

<u>Probability</u>	<u>10 Employees</u>	<u>100 Employees</u>	<u>1,000 Employees</u>
25%	19%	13%	5%
10%	60%	31%	11%
5%	126%	45%	14%
1%	239%	88%	21%

Source: Milliman

# Structure

- Each employer elects to self-insure health benefits starting at \$25,000 limit per employee per year
- Medical stop loss insurance company provides each employer up to \$5M lifetime limit per employee and annual aggregate attaching at 125% of total expected annual losses
- Group Health Cell Captive reinsures medical stop loss insurance company for \$225,000 xs \$25,000 limit per employee per year
- Medical stop loss insurance company also provides group aggregate stop loss for the Group Health Cell Captive
- Unused funds are returned to employers

# Self-Insurance Structure



# Group Health Cell Captive Structure



# Financial Structure

	<u>Costs</u>	<u>%</u>
Current Premium Equivalent	\$1,000,000	100.0%
Medical Stop Loss	150,000	15.0%
Employers' Retentions	\$640,000	64.0%
Group Retention	\$210,000	21.0%
Collateral	\$250,000	25.0%
Maximum	\$1,250,000	125.00%

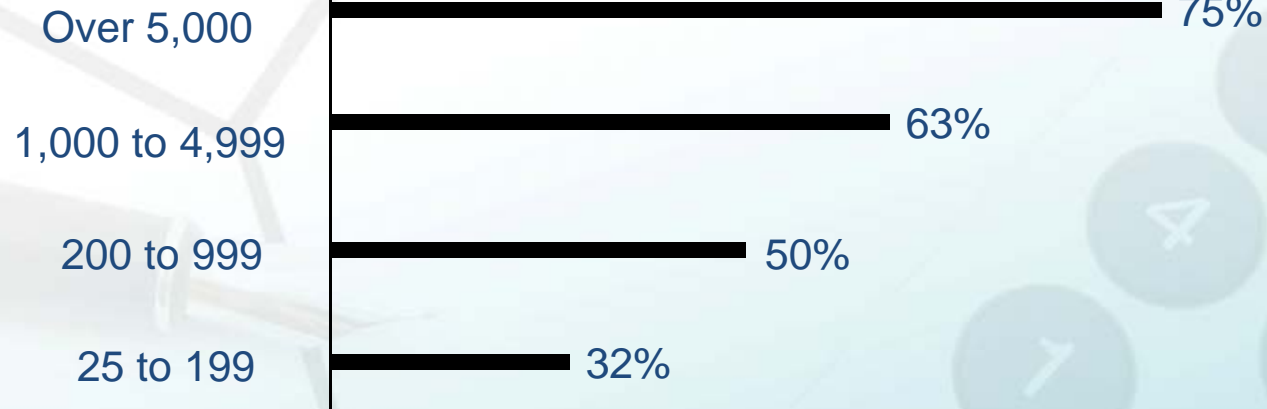
# Group Health Cell Captive Structure



# Disease Management Opportunity

Percent of Employers with Plans

**Employees:**



Source: 2006 KFF/HRET Employer Sponsored Health Benefits Survey

# Submission Checklist

Please send:

- Most Recent Financial Statement
- Copies of Current Policies
- 2 Year Hard Copy Carrier Loss Runs
- Employee Census



**RISK**

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